

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

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

FINDING AND ORDER

The Commission finds:

- (1) Columbus Southern Power Company (CSP) and Ohio Power Company (OP) (collectively, AEP-Ohio or the Companies) are public utilities as defined in Section 4905.02, Revised Code, and, as such, are subject to the jurisdiction of this Commission.
- (2) On March 18, 2009, and July 23, 2009, the Commission approved fuel adjustment clauses (FAC) for the Companies in the Companies' Electric Security Plan (ESP) adopted in Case Nos. 09-917-EL-SSO and 09-918-EL-SSO. *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; and In the Matter of the Application of Ohio Power Company for Approval of its Electric Security Plan; and an Amendment to its Corporate Separation Plan.* The Commission also approved an annual audit of the accounting of the FAC costs in the ESP. Further, the Commission authorized 2010 rate increases of six percent for CSP and seven percent for OP.
- (3) Consistent with the Commission's ESP order, AEP-Ohio filed its initial quarterly FAC filing on September 29, 2009, in Case Nos. 09-872-EL-FAC and 09-873-EL-FAC. On December 1, 2009, the Companies submitted their quarterly FAC filings to adjust the FAC rates for the first quarter of 2010. The quarterly filing, which includes actual fuel data for July through September of 2009 and forecasted information for the first quarter of 2010,

proposes revised FAC rates, to be effective beginning with the January 2010 billing cycle, to reflect the percentage increases authorized in the Companies' ESP.

- (4) On December 3, 2009, the Companies filed a related application in Case No. 09-1906-EL-ATA to decrease the 2010 rates for each company's Enhanced Service Reliability Rider and CSP's gridSMART Rider in order to collect the revenues associated with the rates authorized by the Commission for 2010. Although the total revenue amount to be collected in 2010 is the same as the total revenue collected in 2009, the 2010 rates are a reduction from the 2009 rates due to the length of the period over which the revenue amount is to be collected. The tariff schedules attached to the 09-1906 filing also include generation rates which, in conjunction with the FAC rates filed on December 1, 2009, in Case Nos. 09-872-EL-FAC and 09-873-EL-FAC, limit the amount that the Companies are authorized to collect to the 2010 rate increases established by the ESP.
- (5) On December 10, 2009, Staff filed its review and recommendation for Case Nos. 09-873-EL-FAC, 09-873-EL-FAC, and 09-1906-EL-ATA, contending that the proposed rates provide for increases no greater than those authorized in the ESP, and recommending that the applications be approved.
- (6) On October 28, 2009, and December 11, 2009, the Office of the Ohio Consumers' Counsel (OCC) and the Industrial Energy Users-Ohio (IEU-Ohio) respectively, filed motions to intervene, asserting that each has a substantial interest in these proceedings, and that the disposition of the proceedings may impair or impede their ability to protect that interest.
- (7) On December 11, 2009, Ormet Primary Aluminum Corporation (Ormet) also filed a motion to intervene and, as explained below, a motion to set the matters for hearing. In its motion to intervene, Ormet asserts that it has an interest in these proceedings, as the outcome of these proceedings could impact a power agreement between Ormet and the Companies that determines the rate Ormet pays for electricity. Additionally, on December 14, 2009, Ormet filed a motion to permit Clifton A. Vince, Douglas G. Bonner, Daniel D. Barnowski, and Emma F.

Hand, counsel for Ormet, to practice before the Commission pro hac vice in this proceeding.

- (8) The Commission finds that OCC, IEU-Ohio, and Ormet have set forth reasonable grounds for intervention. Accordingly, their motions to intervene should be granted. Additionally, the Commission finds that Ormet's motion for admission pro hac vice, requesting that Clifton A. Vince, Douglas G. Bonner, Daniel D. Barnowski, and Emma F. Hand be permitted to practice before the Commission in this matter, is reasonable and should be granted.
- (9) On December 11, 2009, IEU-Ohio filed a motion to consolidate Case Nos. 09-872-EL-FAC, 09-873-EL-FAC, 09-1906-EL-ATA, 09-1094-EL-FAC, and 09-1095-EL-UNC, arguing that the interconnected nature of the proposals addressed in the cases demands that the Commission resolve the cases by means of one proceeding.
- (10) Additionally, in support of its motion to set the matters for hearing, Ormet argues that there is cause for concern that the rates proposed by the Companies for Ormet could cause the Companies to over collect.
- (11) On December 14, 2009, AEP-Ohio filed a memorandum contra IEU-Ohio's motion to consolidate, arguing that IEU-Ohio has offered no reason for postponing Commission consideration of Case Nos. 09-872-EL-FAC, 09-873-EL-FAC, and 09-1906-EL-ATA.
- (12) On December 15, 2009, IEU-Ohio filed a reply to AEP-Ohio's memorandum contra, arguing that IEU-Ohio is not the only party that has concerns about the cases at issue, and that the Commission should grant its motion to consolidate the cases and set the consolidated matters for hearing.
- (13) On December 15, 2009, AEP-Ohio filed a memorandum contra Ormet's motion for hearing, arguing that despite the fact that individual customers, depending on load and usage, may experience rate increases in their bills greater than the caps authorized by the ESP, the annual increases in revenues, per customer class, will not exceed the limitations imposed by the

ESP. Additionally, AEP-Ohio argues that, as a special contract customer, Ormet will not be paying the GS-4 rate, but will pay rates which reflect a \$60 million discount. AEP-Ohio further argues Ormet improperly disputes the GS-4 tariff rates, as Ormet's load is not included in calculating the overall increase to AEP-Ohio's GS-4 tariff rates.

- (14) On December 22, 2009, Ormet filed a reply to AEP-Ohio's memorandum contra, asserting that, although the limitations on rate increases are applied on a customer class basis, application of such increases must still occur in a just and reasonable manner. Ormet also contends that because its load is not included in calculating the overall increase to AEP-Ohio's GS-4 tariff rates, AEP-Ohio should not apply the GS-4 FAC rate to Ormet, but should apply an Ormet-specific FAC rate. Further, Ormet argues that standard GS-4 tariff rates are, in fact, relevant to the rate Ormet pays because, under Ormet's unique arrangement with AEP-Ohio, the rate that Ormet pays is tied to the London Metal Exchange (LME) price of aluminum. Beginning in 2010, if the price of aluminum increases above the target price set in the unique arrangement, Ormet will pay a premium above the GS-4 tariff rate. See *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, Opinion and Order (July 15, 2009) and Entry on Rehearing (September 15, 2009).
- (15) Having reviewed the Companies' applications, the parties' arguments and Staff's review and recommendation, the Commission finds that the Companies' proposed tariff filings in Case Nos. 09-872-EL-FAC, 09-873-EL-FAC, and 09-1906-EL-ATA, implementing the Commission's March 18, 2009 and July 23, 2009, orders approving the ESP, with modifications, do not appear to be unjust, unreasonable, or inconsistent with the Commission's prior orders. Therefore, the Commission finds that the applications should be approved and that it is unnecessary to hold a hearing in this matter. Accordingly, the revised tariffs should be effective with bills rendered beginning the first billing cycle of 2010.

- (16) Notwithstanding the approval of the proposed tariff filings to establish new rates beginning with bills rendered for the first billing cycle of 2010, which includes the adjusted FAC rates, all fuel adjustment clause costs are subject to the annual audit and FAC audit process established by the Commission's entry issued on November 18, 2009 in Case Nos. 09-872-EL-FAC and 09-873-EL-FAC.

It is, therefore,

ORDERED, That the revised tariffs filed by the Companies in their applications of December 1, 2009, and December 3, 2009, be approved and become effective for bills rendered beginning the first billing cycle of 2010. It is, further,

ORDERED, That the motions to intervene filed by OCC, IEU-Ohio, and Ormet be granted. It is, further,

ORDERED, That Ormet's motion pro hac vice be granted. It is, further,

ORDERED, That the requests for a hearing be denied. It is, further,

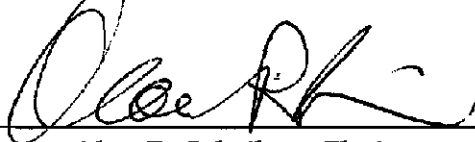
ORDERED, That the Companies are authorized to file, in final form, four complete copies of the tariffs, consistent with this finding and order. Each company shall file one copy in its TRF docket (or make such filing electronically as directed in Case No. 06-900-AU-WVR) and one copy in this case docket. The remaining two copies shall be designated for distribution to the Rates and Tariffs, Energy and Water Division of the Commission's Utilities Department. It is, further,

ORDERED, That the Companies notify all customers of the changes to the tariffs via a bill message or bill insert within 45 days of the effective date of the tariffs. A copy of this customer notice shall be submitted to the Commission's Service Monitoring and Enforcement Department, Reliability and Service Analysis Division, at least 10 days prior to its distribution to customers. It is, further,

ORDERED, That nothing in this finding and order shall be binding upon this Commission in any future proceeding or investigation involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

ORDERED, That a copy of this finding and order be served upon each company and all parties of record.

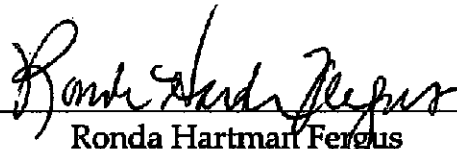
THE PUBLIC UTILITIES COMMISSION OF OHIO



Alan R. Schriber, Chairman



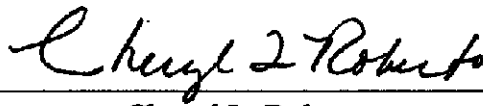
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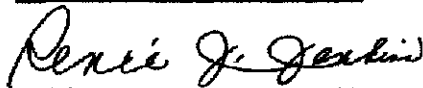


Cheryl L. Roberto

RLH/RBF:ct

Entered in the Journal

JAN 07 2010



Renee J. Jenkins
Secretary