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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 to Establish)
Environmental Investment Carrying Cost)
Riders.)

Case No. 10-155-EL-RDR

In the Matter of the Application of)
Columbus Southern Power Company and)
Ohio Power Company to Update Their)
Enhanced Service Reliability Riders.)

Case No. 10-163-EL-RDR

In the Matter of the Application of)
Columbus Southern Power Company to)
Update its gridSMART Rider.)

Case No. 10-164-EL-RDR

REPLY COMMENTS OF INDUSTRIAL ENERGY USERS-OHIO

Samuel C. Randazzo, Counsel of Record
Lisa G. McAlister
Joseph M. Clark
MCNEES WALLACE & NURICK LLC
21 East State Street, 17th Floor
Columbus, OH 43215-4228
Telephone: (614) 469-8000
Telecopier: (614) 469-4653
sam@wmncmh.com
lmcalister@mwncmh.com
jclark@mwncmh.com

May 10, 2010

Attorneys for Industrial Energy Users-Ohio

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REPLY COMMENTS

A. INTRODUCTION

On February 8, 2010, Columbus Southern Power Company ("CSP") and Ohio Power Company ("OP") (collectively, "AEP-Ohio" or "Companies") filed an Application to create their respective environmental investment carrying cost riders ("EICCR"). AEP-Ohio also filed Applications on February 11, 2010 to adjust their enhanced service reliability ("ESR") riders and CSP's gridSMART rider. On February 23, 2010, the Ohio Consumers' Counsel ("OCC") filed a Motion to Intervene and Motion for Procedural Ruling in each of these cases asking for expedited discovery and a hearing in these proceedings. The Ohio Partners for Affordable Energy ("OPAЕ") also filed a Motion to Intervene on March 15, 2010 in CSP's gridSMART case. Finally, on March 26, 2010, Industrial Energy Users-Ohio ("IEU-Ohio") filed a Motion to Intervene and Comments in each of these cases.

The Attorney Examiner in this proceeding issued an Entry on April 8, 2010, granting the pending Motions to Intervene in these proceedings and also established a procedural schedule requesting initial comments by April 30, 2010 and reply comments by May 10, 2010 on the respective AEP-Ohio Applications. The Attorney Examiner Entry also specifically noted that IEU-Ohio's comments contained within its March 26, 2010 pleadings would be considered by the Public Utilities Commission of Ohio ("Commission"). Commission Staff ("Staff") as well as OCC filed initial comments regarding each respective Application. OPAC also filed initial comments in the gridSMART docket. Pursuant to the Attorney Examiner's Entry, IEU-Ohio hereby files its Reply Comments.

B. REPLY COMMENTS¹

IEU-Ohio again urges the Commission to revisit its modification and approval of an electric security plan ("ESP") (which has yet to be accepted by AEP-Ohio) for the purpose of testing it against the goals in Section 4928.02, Revised Code.² The modified and approved ESP is unfairly titled against AEP-Ohio's customers and has features that will further stack the deck against such customers beginning in 2012.³ For example, the Federal Energy Regulatory Commission ("FERC") Form 1 filing made by CSP on April 16, 2010 provides the most recent evidence that the approved ESP has unfairly

¹ IEU-Ohio's decision not to address every issue raised in the initial comments of other parties (including Staff) should not be construed as endorsement or agreement with those comments.

² *In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company to Establish Environmental Investment Carrying Cost Rider*, Case No. 10-155-EL-RDR, IEU-Ohio Motion to Intervene and Comments at 5-6 (March 26, 2010) (hereinafter cited as "*Case No. 10-155*").

³ *Id.* As the Commission is well aware, AEP-Ohio's modified and approved ESP sets maximum revenue increases each year of the ESP for each of the Companies. Any authorized revenues that are not collected pursuant to the caps are deferred for future collection from customers with interest through a non-bypassable charge that will begin hitting customers' bills in 2012. Because the Companies are already at their maximum rate increase levels, any increases in the riders as a result of these proceedings will be added to the costs that will be collected from customers beginning in 2012.

benefited AEP-Ohio at customers' expense. CSP's FERC Form 1 filing shows that the 2009 return on equity for CSP was 20.82% versus 19.63% in 2008. The Commission should reopen the ESP proceeding to reevaluate the approved ESP and provide customers with rates that do not provide AEP-Ohio a windfall at customer's expense, as exposed in yet another manner by the Companies' FERC Form 1 filing.

1. EICCR Proceeding

Staff's comments in this proceeding recommend that AEP-Ohio's proposed EICCRs be reduced from 4.31451% to 3.83218% for CSP and from 4.18938% to 3.8765% for OP.⁴ Staff's proposed reductions in the EICRR rider rates mainly result from decreases in the carrying charge rates to reflect the removal of property taxes (from the property tax factor) for exempt certified pollution control facilities as well as two adjustments to plant balances.⁵ Staff's recommendations would reduce the EICCR revenue requirements from \$28.3 million to \$26.0 million for CSP and \$36.6 million to \$33.9 million for OP.

IEU-Ohio appreciates Staff's efforts in investigating and reviewing AEP-Ohio's Application and Staff's suggestions that would reduce the monies that AEP-Ohio may collect related to its environmental investment carrying costs. However, Staff's comments do not go far enough to reduce the amounts associated with the EICCR that will eventually be recovered from all customers through a non-bypassable charge. The Commission should adopt IEU-Ohio's recommendations to utilize a single, end of year methodology (instead of allowing AEP-Ohio to calculate the carrying charges using a monthly, compounding mechanism) and limit the EICCR rate to a return on investment

⁴ Case No. 10-155, *et al.*, Staff Comments at 2-3.

⁵ *Id.*

based on the Companies' average debt rate.⁶ Doing so would provide AEP-Ohio a carrying cost rate that is both fair to AEP-Ohio as well as customers and also minimize the amounts that will be recovered from customers through the non-bypassable rider authorized by Section 4928.144, Revised Code.

2. gridSMART Proceeding

Staff's comments regarding CSP's gridSMART rider adjustment Application proposed downward adjustments to advanced metering infrastructure ("AMI") capital expenditures as well as to labor and other operating and maintenance expenses.⁷ Staff also recommended adjustments to the depreciation factor and an upward carrying charge adjustment to reflect the fact that the gridSMART rider applies to the distribution function (thus affecting the property tax factor) rather than to the generation function (as the EICCR applies).⁸

Again, IEU-Ohio appreciates Staff's investigation of CSP's Application and its recommendations. However, Staff's comments did not include any discussion of, or any stance related to, the proposed "enhanced" gridSMART program or cost recovery of the "enhanced" gridSMART program. As IEU-Ohio observed in its comments, the Commission should ensure that any Order it issues in this proceeding cannot be interpreted as an approval of the gridSMART enhancements that have never before been presented to the Commission and the Commission should also clearly state that it will investigate and rule upon whether CSP may collect the increased costs associated

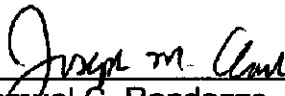
⁶ Case No. 10-155, IEU-Ohio Motion to Intervene and Comments at 7-9.

⁷ Case No. 10-155, *et al.*, Staff Comments at 10-12.

⁸ *Id.* at 12-14.

with the enhancements in a future CSP case.⁹ A much more detailed examination of the gridSMART enhancements as well as any additional cost recovery associated with the gridSMART enhancements is warranted and the Commission should clearly express this in any Order it issues regarding the gridSMART adjustment Application.

Respectfully submitted,



Samuel C. Randazzo, Counsel of Record
Lisa G. McAlister
Joseph M. Clark
MCNEES WALLACE & NURICK LLC
21 East State Street, 17th Floor
Columbus, OH 43215-4228
Telephone: (614) 469-8000
Telecopier: (614) 469-4653
sam@wmncmh.com
lmcalister@mwncmh.com
jclark@mwncmh.com

Attorneys for Industrial Energy Users-Ohio

⁹ *In the Matter of the Application of Columbus Southern Power Company to Update its gridSMART Rider*, Case No. 10-163-EL-RDR, IEU-Ohio Motion to Intervene and Comments at 6-7 (March 26, 2010).

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing *Reply Comments of Industrial Energy Users-Ohio* was served upon the following parties of record this 10th day of May 2010, via first class mail, postage prepaid.



JOSEPH M. CLARK

Martin I. Resnick
Steven T. Nourse
American Electric Power Service Company
1 Riverside Plaza, 29th Floor
Columbus, OH 43215
miresnik@aep.com
stnourse@aep.com

**ON BEHALF OF COLUMBUS SOUTHERN POWER AND
OHIO POWER COMPANY**

Janine L. Migden-Ostrander
Consumers' Counsel
Terry L. Etter
Richard C. Reese
Assistant Consumers' Counsel
Office of the Ohio Consumer's Counsel
10 West Broad Street, Suite 1800
Columbus, OH 43215-3485
etter@occ.state.oh.us
reese@occ.state.oh.us

**ON BEHALF OF THE OFFICE OF THE OHIO
CONSUMERS' COUNSEL**

David C. Rinebolt
Colleen L. Mooney
Ohio Partners for Affordable Energy
231 West Lima Street
Findlay, Ohio 45840
drinebolt@ohiopartners.org
cmooney2@columbus.rr.com

**ON BEHALF OF THE OHIO PARTNERS FOR
AFFORDABLE ENERGY**

Duane Luckey
Chief, Public Utilities Section
Ohio Attorney General's Office
180 East Broad Street, 6th Floor
Columbus, Ohio 43215

**ON BEHALF OF THE STAFF OF THE PUBLIC
UTILITIES COMMISSION OF OHIO**