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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) Case No. 10-155-EL-RDR
and Ohio Power Company to)
Establish Environmental Investment)
Carrying Cost Riders.)

PUCO

COMMENTS ON AEP'S LETTER OF JULY 21, 2010
BY
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL

On July 21, 2010, Columbus Southern Power Company ("CSP") and Ohio Power Company ("OPC") (collectively, "AEP" or "Companies") docketed a letter in this proceeding which addresses carrying charges associated with the alleged environmental investments for each company during 2009. In the letter, AEP presented the following positions:

1. Per a recommendation by the Staff of the Public Utilities Commission of Ohio ("PUCO" or "Commission"), AEP agreed to include the additional \$317,301 for Conesville Unit 5 draw-off lines that should have been included in the filing as a 2009 environmental investment.
2. Per a PUCO Staff recommendation, AEP agreed to exclude the Cook Coal investment of \$2,097,059 inadvertently included in the filing.
3. Per a PUCO Staff recommendation, AEP agreed to revise the as-filed carrying cost to use the same weighted average cost of capital, debt/equity ratio, depreciation factor and Federal Income Tax ("FIT") factor, property taxes and Administrative and General ("A&G") expense factor approved in the Company's electric security plan ("ESP"), with an adjustment reflecting that most of the environmental facilities are exempt from personal property taxes.

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The Companies also asked that the Commission adopt the proposed rider as set forth in the application and updated in the letter.

The Office of the Ohio Consumers' Counsel ("OCC"), an intervenor on behalf of AEP's 1.2 million residential utility consumers,¹ submits Comments on AEP's "updated position." Ohio Adm. Code 4901-1-06 provides, with good cause shown, for the PUCO to authorize the amendment of an application. CSP, however, has not sought to amend its application. Therefore, the Commission should not act on the application in its present form. OCC reserves the right to submit comments on any additional filing that AEP might make regarding the nature of the letter.

As to the substance of the letter, OCC does not object to the addition of \$317,301 for Conesville Unit 5 for CSP. OCC also does not object to the exclusion of \$2,097,059 for Cook Coal investment for OPC. OCC also supports the PUCO Staff's position that the annual carrying charge rates should reflect that certified pollution control facilities are exempted from personal property taxes, and the PUCO Staff's position that personal property taxes on such facilities should not be included in the rates customers pay.

OCC does object, however, to the calculation of the annual carrying charge rates proposed by AEP in the original application and in the letter. As OCC noted in initial Comments and Reply Comments in this proceeding, the Commission did not specify a carrying charge methodology for the 2009 environmental investments in the ESP case,² and AEP has not shown that the proposed annual carrying charge rates are just and reasonable.

¹ OCC's intervention was granted in an Entry issued on April 8, 2010 (at 4).

² See OCC Comments (April 30, 2010) at 6-7; OCC Reply Comments (May 10, 2010) at 4-6.

Specifically, OCC objects to the use of the same weighted average cost of capital, debt/equity ratio, depreciation factor and FIT factor, property taxes and A&G factor approved in the ESP with the exception that the property tax component should be adjusted to reflect that most of the environmental facilities are exempt from personal property taxes. AEP has not demonstrated that it is just and reasonable to use 2006-2007 financial data and operating information in calculating the 2009 carrying charges for environmental investments made in 2009. Actually, in almost all rate cases and infrastructure replacement rider cases, the Commission and PUCO Staff have consistently required that property tax expenses be calculated based on the most updated property tax rate. The most updated property tax rate would be the 2009 tax rate instead of the property tax rate calculated by AEP from property tax expenses incurred three years ago.

AEP also used the average of the 2006 and 2007 Gross Plant in data in calculating the property tax rate used in the letter. By doing so, the average Gross Plant of CSP and OPC were significantly underestimated and the property tax rates were significantly overestimated. In addition, the updated figures (1.6% for CSP and 1.36% for OPC) provided by AEP for property tax and A&G expenses are different from figures in the Companies' previous discovery responses to PUCO Staff. The Companies have not provided an explanation for such variations.

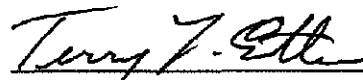
Because there are legal and factual issues regarding the propriety of a carrying charge on the amounts of 2009 environmental investments and the composition of any carrying charge cost rates on such investments, the Commission should hold a hearing on the application. AEP failed to justify its proposed carrying charge rates, and its requests

should be denied. But if the PUCO is not prepared to deny AEP's requests based on lack of proof, the PUCO should schedule a hearing so OCC and others can adduce evidence through testimony and cross-examination for the PUCO to consider in fulfilling its regulatory responsibilities to the public.

CSP customers may be required to pay about \$26.6 million and OPC customers may be required to pay approximately \$34.5 million.³ If AEP is not willing to cure the defects in its application, a hearing is needed for the Commission to make the necessary determinations in this case.

Respectfully submitted,

JANINE L. MIGDEN-OSTRANDER
CONSUMERS' COUNSEL



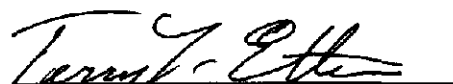
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³ See CSP Schedule 1 and OPC Schedule 1, both of which were attached to the letter.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Comments on AEP's Letter of July 21, 2010 by the Office of the Ohio Consumers' Counsel was served upon the persons listed below via first class U.S. Mail, postage prepaid, on this 9th day of August 2010.



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