

**BEFORE THE  
PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of )  
Columbus Southern Power Company and ) Case No. 10-163-EL-RDR  
Ohio Power Company to Update Their )  
Enhanced Service Reliability Riders. )

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**COLUMBUS SOUTHERN POWER COMPANY'S  
AND OHIO POWER COMPANY'S  
ADDITIONAL REPLY COMMENTS  
IN RESPONSE TO THE ADDITIONAL  
COMMENTS OF THE OHIO CONSUMERS' COUNSEL**

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**INTRODUCTION**

Columbus Southern Power Company (CSP) and Ohio Power Company (OP), collectively referred as "the Companies" or "AEP Ohio," filed an Electric Security Plan (ESP) in Case Nos 08-917-EL-SSO and 08-918-EL-SSO wherein the Commission found that the Companies' enhanced vegetation initiative, with Staffs additional recommendations, to be a reasonable program that would advance state policy, while deferring inclusion of the remaining programs for potential future adoption. *AEP-Ohio's ESP Decision*, 09-917-EL-SSO and 09-918-EL-SSO (Opinion and Order March 18, 2009 at 34). Accordingly, the Commission approved the ESR Rider, subject to annual reconciliation based on the Companies' prudently-incurred costs.

AEP Ohio filed an updated position in the case on July 21, 2010 adopting many of the recommendations made by Commission Staff. The Ohio Consumers' Counsel filed

comments on August 9, 2010 concerning the updated position of AEP Ohio. These comments respond directly to the issues raised by OCC.

## **ISSUES**

### **Additional Expenditures**

OCC's first comment involves the additional expenditures to trim an additional 12 circuits. AEP repeats its commitment to develop a plan to trim those circuits in 2010 based on the additional recovery for the work done. However, it should be pointed out that each day that passes is another day AEP-Ohio does not figure the additional circuits into its plan. There is a chance that the passage of time would not allow AEP-Ohio to finish all 12 circuits by the calendar year end. But the premise of the entire effort is to perform incremental work and then provide incremental relief for that work that is done. Therefore it is only appropriate that any additional authorized work in 2010 be assured of recovery and likewise into future years.

### **Exclusions/Additions**

OCC's second comment deals with the proposed exclusions and additions. OCC recommends that the Commission exclude \$751,907.59 of 2009 charges due to the absence of invoice support and \$16,445 for work done in December 2008. OCC asserts that these charges should be permanently excluded because the rider is structured to allow cost recovery only in the year in which the costs occur. As indicated in AEP-Ohio's updated position filed in this docket on July 21, 2010, AEP-Ohio already agreed to exclude these amounts. However, AEP-Ohio points out again that the goal of this

program is to provide relief for incremental work performed toward this common goal. It would be appropriate that if invoices related to the work are discovered later, that recovery of those invoices could be recovered at some point as part of the overall plan. The program is premised on getting work done and getting recovery for that work. The Commission approved the ESRP rider as the mechanism to recover such costs making it clear that prudently incurred costs associated with the AEP-Ohio's enhanced vegetation management initiative would be recovered. *AEP-Ohio's ESP Decision* (Opinion and Order March 18, 2009 at 34).

### **Carrying Charges**

Third OCC raises a concern with the method for calculating the annual carrying charges in the Application. OCC states that AEP-Ohio changed its proposed level of carrying charges to 14.96% for CSP and 14.38% for OP. OCC asserts that AEP-Ohio has the burden of proof to substantiate that carrying charge as just and reasonable and that it has failed to do so. OCC's arguments fail to take into consideration previous Commission consideration of this very issues.

The Commission recently discussed its practice and determining the proper level of carrying charges in 10-164-EL-RDR. The Commission recognized that it is appropriate to use the level now recommended by Staff and agreed to by AEP-Ohio because it is the most recently approved carrying cost approved. Specifically, the Commission stated:

As part of AEP-Ohio's ESP cases, the Commission evaluated and approved the carrying cost rate for the Companies\* gridSMART and environmental investments

The carrying cost in the ESP case is the most recent approved for AEP-Ohio. While we are mindful that using the most recent approved carrying cost rate increases the carrying charges, as OCC notes, it is the Commission's practice in subsequent proceedings to use the most recently approved carrying cost rate. Accordingly, we find it reasonable and appropriate to use the carrying cost rate approved in CSPs ESP case in the gridSMART rider calculation, except as to the amendments recommend by Staff and agreed to by CSP to correct the property tax component.

August 11, 2010 Opinion and Order at 10 (emphasis added; footnote omitted).

The Commission's rationale in determining the level of carrying costs holds equally true in the present case. The incremental vegetation management program was approved in the same ESP proceeding as the gridSMART program. The same level of carrying cost is justified in this case. AEP-Ohio's position reflects the holding of the Commission.

In OCC's fourth argument it proposes an evidentiary hearing. OCC proposes a hearing is needed to allow AEP-Ohio to establish that its "proposed ESR rider and accompanying carrying charges are reasonable." OCC's recommendation amounts to a request to relitigate the Commission's findings in the ESP proceeding approving the rider.

AEP Ohio submits that such an approach is not appropriate or required here. In approving the enhanced vegetation plan, as adjusted with Staff's recommendations, in the ESP Cases, the Commission already reviewed the plan and approved the benefits of the proposal as part of that decision, in a manner that is consistent with R.C. 4928.143(B)(2)(h). This proceeding should not be used as an attempt to relitigate the merits of the rider.

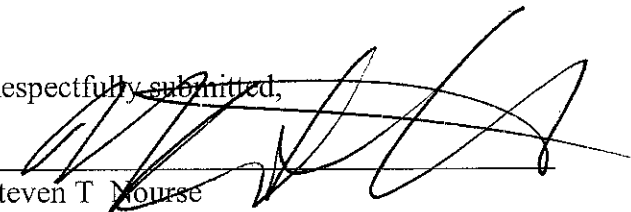
The annual update filings are more akin to audit proceedings to ensure that funds were actually spent in implementing the approved plan and expenditures were made in a prudent manner. The Commission made this explicitly clear in its July 23, 2009 Entry on Rehearing in the ESP Cases when it stated (at 17), "the Commission created the ESRP Rider as a mechanism to recover actual costs incurred so that the expenditures could be tracked, reviewed to determine that they were prudent and incremental to costs included in base rates, and reconciled annually."

OCC's invitation to reconsider the merits of the ESR Rider should be rejected. No hearing is required and the issues raised by OCC are either inappropriate at this stage of the proceeding or do not require a hearing for the Commission to follow its previous decisions

#### **CONCLUSION**

For the foregoing reasons, the Commission should adopt CSP's updated position filed in this case on July 21, 2010.

Respectfully submitted,

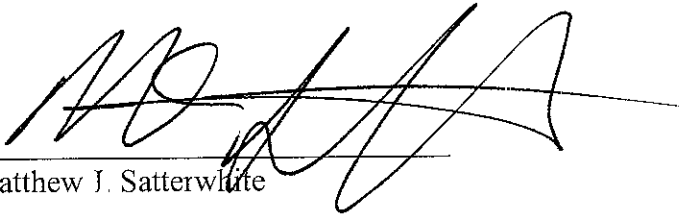


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## CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing Columbus Southern Power Company's Reply Comments has been served upon the below-named counsel via First Class mail, postage prepaid, this 20<sup>th</sup> day of August, 2010.



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Summary: Comments Additional Reply Comments of CSP and OPC in Response to Additional Comments of the Ohio Consumers' Counsel electronically filed by Mr. Matthew J Satterwhite on behalf of American Electric Power Service Corporation