

FILE

**BEFORE
PUBLIC UTILITIES COMMISSION OF OHIO**

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

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**POST-HEARING BRIEF
SUBMITTED ON BEHALF OF THE STAFF OF
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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The Public Utilities Commission of Ohio (Commission) approved fuel adjustment clauses for Columbus Southern Power Company and Ohio Power Company (jointly, AEP-Ohio or the Companies) as part of the Companies Electric Security Plan (ESP) cases. The Companies were directed to make quarterly FAC filings. The Commission also approved an annual audit of the accounting of the fuel adjustment clause costs. *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*, Case Nos. 08-917-EL-SSO and 08-918-EL-SSO (Opinion and Order) (March 18, 2009) (ESP cases).

The initial audit was to cover the January through December 2009 period. The Commission selected Energy Ventures Analysis (EVA) to complete the audit, and its Report of the Management/Performance and Financial Audits of the FAC of Columbus

Southern Power Company and the Ohio Power Company was timely filed on May 14, 2010. Commission-Ordered Exhibit 1A.

An evidentiary hearing was conducted on August 23 and 24, 2010. The Commission staff submits its Initial Brief pursuant to the briefing schedule established by the Attorney Examiner.

As a general matter, staff supports the findings and recommendations contained in the EVA audit report, and recommends that they be adopted by the Commission. None of the parties take issue with any of the findings and recommendations contained in the financial audit. The issues litigated in this case revolve around the recommendations contained in the management performance portion of the audit report. Specifically, staff expects the parties to take widely contrasting positions on the first management audit recommendation:

EVA believes that the PUCO should review whether any proceeds from the Settlement Agreement should be a credit against OPCO's FAC under-recovery. This buy-out is somewhat unique as it occurred during a period in which fuel cost recovery was not regulated yet the entire value received was for tons that would have been shipped during the ESP period.

Commission-Ordered Exhibit 1A at 1-6. EVA did not, however, make a specific recommendation on the type of relief that the Commission should consider.

It is staff's belief that, while the Companies are entitled to recover the costs of fuel, they are only entitled to recover the true cost incurred. That is, any proceeds received offsetting the cost of fuel should be credited against under-recoveries, regardless of the period in which the proceeds are recognized.

But it is clear from the record in this case that the value of such credits cannot be determined at this time. Consequently, staff recommends that the Commission direct that EVA, which will also conduct the audit for the second year of FAC mechanism, evaluate the value of proceeds received by the Companies and not credited either to the FAC or to deferred under-recoveries, and make recommendations in the next audit proceeding as to the value to be credited.

Respectfully submitted,

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PROOF OF SERVICE

I hereby certify that a true copy of the foregoing Post-Hearing Brief, submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served by regular U.S. mail, postage prepaid, hand-delivered, or delivered via electronic mail, upon the following parties of record, this 23rd day of September, 2010.


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