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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 Update)
Their Enhanced Service Reliability Riders)

Case No. 10-163-BL-RDR

**COLUMBUS SOUTHERN POWER COMPANY'S
AND OHIO POWER COMPANY'S
MEMORANDUM CONTRA
THE OFFICE OF CONSUMERS' COUNSEL'S
APPLICATION FOR REHEARING**

INTRODUCTION

Columbus Southern Power Company and Ohio Power Company (collectively, "AEP Ohio") file this memorandum contra respectfully requesting that the Public Utilities Commission of Ohio ("Commission") deny the application for rehearing filed by the Ohio Consumers' Counsel ("OCC") on September 24, 2010. OCC raises three grounds for rehearing all of which challenge the discretion of the Commission.

ARGUMENTS

- A. The Commission has the authority to approve additional dollars for vegetation management expenditures it expects to be accomplished.

OCC incorrectly argues that the Commission's Order in this case is unclear. The Commission made its finding very clear. The Commission recognized the goal of trimming 250 circuits, established by AEP, and found that additional funding for 12 circuits (240 miles) totaling \$1.64 million is a reasonable amount for additional clearance. Specifically the Commission stated:

The Commission recognizes that AEP-Ohio was delayed in its commencement of the vegetation management initiative in 2009 and that only 238 circuits of the 250 circuits

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planned were actually cleared. To catch up to the goal of 250 circuits cleared each year of the ESP, in addition to the circuit clearance plan for 2010, AEP-Ohio will need to add 240 miles to the current work plan. The Commission finds that the \$1.64 million is not an unreasonable amount for additional vegetation clearance funding for 12 circuits across 240 miles considering the overall annual enhanced vegetation management costs. We further note that AEP-Ohio and Staff have agreed to the additional funding to clear the 12 circuits. The Commission finds it appropriate to include the additional funding to keep the enhanced vegetation management plan on target to better align consumers' expectations regarding tree-caused outages, reliability and momentary outages with that of the Companies. The ESRP rider rates should be revised accordingly.

Finding and Order at 5. In this Finding the Commission makes it clear that the 250 circuits in the work plan was a goal, that additional work is reasonable, and that the funding is additional.

It is important to note the purpose of this rider – to adjust AEP-Ohio's system to move the vegetation management program to a four-year cycle in a five year period. The Commission ordered AEP-Ohio to work with the Commission Staff to carry out the details of this plan and that resulted in the priority of some difficult circuits in the early portion of the effort. The accomplishment of that goal has been discussed with Commission Staff and a plan was developed for the best way meet that goal in the most efficient manner over that period. The purpose is not to fall short of that ultimate goal or prevent AEP-Ohio from doing the necessary work to have the system prepared for a four-year cycle. The Commission and AEP-Ohio committed to moving to the four-year proactive cycle and the additional funding is merely recognition of that greater goal.

OCC's assertion that the Commission's finding violates R.C. 4909.09¹ is without merit. R.C. 4903.09 is the statute that provides that the Commission should record the proceedings including findings of fact and written opinions setting forth the reasons prompting the decisions arrived at, based upon said findings of fact. As provided above, the Commission was very clear in its findings and conclusions. Disagreement with OCC's positions does not constitute an invalid decision. OCC's assertion that the Commission's Order violates some statutory duty is unfounded.

OCC's blank check assertion is equally without merit. AEP-Ohio provided the Commission with its best estimate at the time in seeking the enhanced service reliability program. AEP-Ohio coordinated its plans with Commission Staff and laid out yearly goals. A large majority of those circuits intended to be trimmed were in fact trimmed. Once time became an issue and the estimated costs increased it became appropriate to adjust. Again, the Commission's goal is to move the AEP-Ohio systems to a four-year trim cycle. The work being done now is all towards that ultimate effort. The collections associated with that effort pass through a proceeding before the Commission. To spend more dollars requires permission by the Commission. The "blank check" analogy simply carries no water in this instance. The focus should be that the Commission and AEP-Ohio are focused on accomplishing the ultimate goal that will benefit customers.

¹ R.C. 4909.09 deals with the ascertainment of valuation and not the findings of fact and conclusions of law in a Commission decision. While AEP-Ohio responds to this argument assuming OCC intended to cite R.C. 4903.09, the Companies do not waive the right to say the future arguments based on 4903.09 are inappropriate due to OCC's failure to include it in its application for rehearing.

B. The Commission's finding preserving the ability to recover unrecovered charges is lawful and reasonable.

OCC incorrectly argues that AEP-Ohio should be permanently barred from recovery of the undocumented 2009 charges that total \$751,907. OCC asserts that these amounts cannot be recovered in the enhanced service reliability rider in subsequent years. OCC seeks to permanently bar AEP-Ohio from any chance to recover legitimate costs for the enhanced service reliability efforts.

Again, OCC's position ignores the purpose of the enhanced program. The Commission authorized AEP-Ohio to implement the program, with the cooperation of Staff, to move the system to a four-year cycle. The system created provides an accounting to verify the costs and oversee the implementation of the process. A position that denies the utilities the ability to recover justified costs that can be verified is focused too granularly and is not focused on the purpose or ultimate goal. The Commission is within its discretion to roll over the \$751,907 to 2010 and provide AEP-Ohio an opportunity to recover those costs with the appropriate documentation or justification.

The Commission also properly denied OCC's request to investigate the accounting practices of AEP-Ohio. The Commission agreed with OCC and excluded the dollars not tied to receipts or justification. Any risk of non-recovery is borne by AEP-Ohio.

Ultimately the question facing the Commission is whether the incremental vegetation management program succeeded in moving AEP-Ohio to a four-year trim cycle in the context of the rider provided. The annual accounting shows that the Commission is committed to an incremental approach that is subject to the scrutiny of a

filing before the Commission. Whether those costs fit neatly into an arbitrary date on a calendar is not and should not be the ultimate focus of Commission. A program that takes five years to get to a four-year trim cycle will inherently face issues. The Commission properly adapted to the facts of this annual filing and properly provided the opportunity for unrecovered costs to be recovered, when justified.

C. A hearing was not required to determine whether the carrying charges AEP proposed to collect were reasonable.

OCC takes issue with the carrying charge ordered by the Commission in the underlying case. OCC argues that there is no factual basis that it is reasonable to use carrying cost rates approved in AEP's electric security plan as amended by Staff. [OCC at 4.] This is clearly a factual determination left to the Commission. The Commission already found that it would use the most recently approved carrying cost rate. That is a discretionary call for the Commission.

OCC's assertion that a hearing is required is also without merit. There is nothing that requires the Commission to conduct an evidentiary hearing in this case. OCC had ample opportunity to file its issue with the Commission and discuss the same with AEP-Ohio. The hearing requirement proposed by OCC simply does not exist, and OCC cites no support for its contention. The Commission has control over its dockets and OCC's disagreement on factual calls should not be considered.

CONCLUSION

AEP Ohio respectfully requests that the Commission deny the application for rehearing as an unnecessary request to revisit the factual findings and discretionary decisions of the Commission.

Respectfully submitted,



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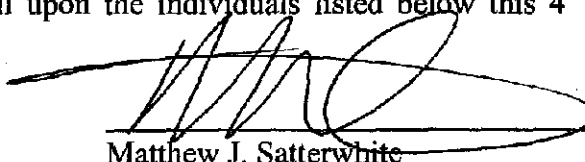
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CERTIFICATE OF SERVICE

I hereby certify that a copy of Columbus Southern Power Company's and Ohio Power Company's Memorandum Contra Ohio Consumers' Counsel Application for Rehearing was served by U.S. Mail upon the individuals listed below this 4th day of October 2010.



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