

**BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)	
Columbus Southern Power Company and)	Case No. 10-155-EL-RDR
Ohio Power Company to Establish)	
Environmental Investment Carrying Cost)	
Riders.)	

**COLUMBUS SOUTHERN POWER COMPANY'S
AND OHIO POWER COMPANY'S
AMENDED MEMORANDUM IN OPPOSITION TO THE
OHIO CONSUMERS' COUNSEL APPLICATION FOR REHEARING**

On February 8, 2010, Columbus Southern Power Company and Ohio Power Company (AEP Ohio) filed this application to recover incremental capital carrying costs associated with environmental investments made during their three-year Electric Security Plan (ESP). This recovery process was explicitly provided for in AEP Ohio's ESP case at page 30 of the Commission's March 18, 2009 Opinion and Order. The Attorney Examiner in this case issued an Entry on April 8, 2010 which, among other things, set a schedule for the filing of comments/objections regarding the application by interested persons, including the Commission's Staff, April 30, 2010, and reply comments by May 10, 2010. Prior to that Entry, Industrial Energy Users-Ohio (IEU) submitted comments along with its Motion to Intervene. IEU did not file any additional comments. On April 30, 2010 the Staff filed its Comments and Recommendations and the Ohio Consumers' Counsel (OCC) filed its comments. AEP Ohio filed the reply comments on May 10, 2010. And the OCC filed additional comments again on June 1, 2010. After AEP Ohio

filed an updated position on July 21, 2010 attempting to respond to the positions taken by the parties, the Commission issued a Finding and Order on August 25, 2010.

On September 24, 2010, OCC filed an application for rehearing again challenging the carrying charge rate approved for the environmental investments, the calculation method involving monthly accrual of carrying charges, and question the lack of an evidentiary hearing in this case. These rehearing arguments should be rejected as they amount to nothing more than re-argument and second-guessing the Commission's discretionary judgment in this case.

ARGUMENT

A. It was reasonable and lawful for the Commission to use the carrying charge approved in the ESP Cases

As a threshold matter, OCC's reliance (at 6) on R.C. 4905.22 and 4928.02(A) is misguided. R.C. 4905.22 requires utilities to provide adequate service and to follow the terms of approved tariffs - that statute has no relevance or application in attacking a Commission decision. Similarly, R.C. 4928.02(A) merely expresses a policy of ensuring consumers of adequate, reliable, safe, efficient, nondiscriminatory, and reasonably priced retail electric service - that statute also has no relevance or application in attacking a Commission decision. Thus, OCC's reliance on these statutes is misguided.

The Commission's decision contained a robust and detailed discussion of the carrying charge-related issues, including already addressing each of OCC's rehearing arguments on this subject. First, as a general matter, the Commission's Finding and Order already explicitly disagreed with OCC's premise that AEP Ohio did not adequately support the proposed carrying charge:

The Commission finds that sufficient information has been presented in

the updated application and supporting exhibits for the parties to evaluate the environmental investments at issue. After considering the application and updates, the comments, and positions of the parties to this case, the Commission finds that the application, as updated, does not appear to be unjust or unreasonable and, therefore, concludes that a hearing on the application is not necessary.

Finding and Order at 10. As a related matter, OCC's argument (at 6) that AEP Ohio needed to again demonstrate in this case that the carrying charge adopted in the ESP Cases was appropriate, after the Commission already approved it, is also misguided. As Again, the Commission already rejected OCC's position in its decision:

As part of AEP-Ohio's ESP cases, the Commission evaluated and approved each component of the carrying cost rate, including the A&G component, for the Companies' environmental investments. In the ESP case, the Commission considered and rejected the arguments presented regarding the A&G component of the carrying cost calculation and incorporating the short-term cost of debt or other special financing into the carrying cost calculation. Ultimately, in the ESP cases, the Commission concluded that using the WACC was appropriate for the environmental investments and consistent with the Commission's decision in the Companies' previous cases.

Finding and Order at 10.

OCC also acknowledges (at 7) that it is the Commission's establish practice to use the most recently approved carrying charge rate. While OCC argues that this approach does not perfectly reflect present costs, that argument is flawed because it leads to the conclusion that the most recently approved rate would be inaccurately low as often as it would be inaccurately high. There is no basis to conclude that consumers are harmed or utilities benefit from this practical policy. Once again, the Commission fully and reasonably addressed OCC's arguments in its decision:

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 the Companies' ESP cases in this application, except as to the amendments recommended by Staff and agreed to by AEP Ohio and OCC, to correct the property tax component. For these reasons, the Commission finds that the issues raised regarding the carrying cost calculation for the Companies' EICCR rider have been adequately and reasonably addressed.

Finding and Order at 10.

In short, OCC's application for rehearing purely amounts to re-argument and nothing new is raised that has not already been fully and reasonably addressed in the Commission's Finding and Order.

B. It was reasonable and lawful for the Commission to adopt the monthly accrual calculation method for carrying charges

OCC also raises its same argument (at 8-9) that monthly accrual of carrying charges for the 2009 environmental investment is not appropriate, in its opinion, and claims that the Commission did not justify this approach. As AEP Ohio argued in its comments, however, this argument fails to recognize that in the ESP case AEP Ohio was not attempting to calculate the carrying costs they incurred during 2001-2008 on environmental investments made during that period. Instead, it was calculating the going forward carrying cost associated with those past investments. Accordingly, there was no need to perform a 2001-2008 monthly carrying cost calculation. In contrast, the Environmental Investment Carrying Cost Rider is focused on the carrying costs incurred in 2009 associated with the incremental 2009 environmental investment. Performing that calculation on a monthly basis is the proper way to determine the true carrying costs during this period. The Commission agreed with AEP Ohio's position in its decision:

The Commission recognizes, as AEP-Ohio asserts, that in the ESP cases the Companies were calculating the carrying costs going forward for past

environmental investments. AEP-Ohio based its annual capital carrying cost calculation in the ESP cases for 2009 - 2011 on annual estimates of environmental capital additions and utilized the one-half year convention to determine an average annual carrying costs (Cos. Ex. 7). Staff agrees with the process used to calculate the carrying costs in this case. In this application, the Commission finds AEP-Ohio's calculation of the carrying costs on a monthly basis is appropriate.

Finding and Order at 6-7. The Commission's determination in this regard is reasonable and lawful and OCC's bid to second-guess that decision is unfounded.

C. Conducting an evidentiary hearing was discretionary

Finally, OCC again argues (at 9-11) that the Commission erred in not conducting a hearing is based on its re-argument that AEP has provided insufficient detail regarding the environmental investments and appropriate carrying charge. OCC also references (at 10-11) its same factual arguments previously raised and addressed. This is clearly another instance of OCC second-guessing the Commission's determination that AEP Ohio did adequately demonstrate the appropriateness of the investment and proposed carrying charge. As demonstrated above, the Commission's Finding and Order includes a robust and detailed discussion of the carrying charge issues, including each of OCC's substantive claims. OCC's complaint of no hearing in this proceeding also ignores that the hearing and decision in the ESP Cases provide the basis for this rider proceeding. Conducting a hearing is simply not required by law and is a discretionary call for the Commission.

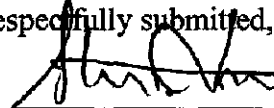
There is nothing that requires the Commission to conduct an evidentiary hearing in this case. OCC had ample opportunity to file its issue with the Commission and discuss the same with AEP-Ohio. The hearing requirement proposed by OCC simply

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. The Staff's Comments and Recommendations reflect its conclusions based on an extensive investigation utilizing requests for information and site visits. Thus, OCC's assertion that a hearing is required is without merit.

CONCLUSION

The Commission's decision in this case is lawful and reasonable and OCC's attempt to re-argue the case and second-guess the Commission's discretion should be rejected.

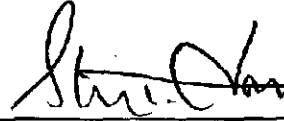
Respectfully submitted,



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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 and Ohio Power Company's Amended Memo Contra has been served upon the below-named counsel via First Class mail, postage prepaid, this 5th day of October, 2010.



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