

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)
Columbus Southern Power Company and) Case No. 11-351-EL-AIR
Ohio Power Company, Individually and, if) Case No. 11-352-EL-AIR
Their Proposed Merger is Approved, as a)
Merged Company (collectively, AEP)
Ohio) for an Increase in Electric)
Distribution Rates.)

In the Matter of the Application of)
Columbus Southern Power Company and)
Ohio Power Company, Individually and, if) Case No. 11-353-EL-ATA
Their Proposed Merger is Approved, as a) Case No. 11-354-EL-ATA
Merged Company (collectively, AEP)
Ohio) for Tariff Approval.)

In the Matter of the Application of)
Columbus Southern Power Company and)
Ohio Power Company, Individually and, if) Case No. 11-356-EL-AAM
Their Proposed Merger is Approved, as a) Case No. 11-358-EL-AAM
Merged Company (collectively, AEP)
Ohio) for Approval to Change Accounting)
Methods.)

**OBJECTIONS TO THE PUCO STAFF'S REPORTS
OF INVESTIGATION
AND
SUMMARY OF MAJOR ISSUES
BY
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL**

RECEIVED-DOCKETING DIV
2011 OCT 17 PM 4:43
PUCO

This is to certify that the images appearing are an accurate and complete reproduction of a case file document delivered in the regular course of business.
Technician Ann Date Processed OCT 17, 2011

BRUCE J. WESTON
INTERIM CONSUMERS' COUNSEL

Maureen R. Grady, Counsel of Record
Larry S. Sauer
Assistant Consumers' Counsel

Office of the Ohio Consumers' Counsel
10 West Broad Street, Suite 1800
Columbus, Ohio 43215-3485
614-466-9567 (Direct – Grady)
614-466-1312 (Direct – Sauer)
614-466-9475 (Facsimile)
grady@occ.state.oh.us
sauer@occ.state.oh.us

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION	1
II. OBJECTIONS TO THE STAFF REPORT	3
A. Revenue Requirement.....	3
B. Rate Base	4
1. Depreciation reserve	4
2. Other rate base items: prepaid pension adjustment	4
3. Double recovery of return on post-2000 rate base investment	4
C. Operating Income	5
1. Rider revenues and expenses	5
2. O&M expenses	5
a. Severance amortization.....	5
b. Labor and payroll expenses	5
c. Employee saving plan.....	6
d. CSP miscellaneous O&M expenses.....	6
e. Budget adjustment	6
f. CSP actual O&M expenses adjustment	7
g. Factored customer accounts receivable expense	7
3. Depreciation and amortization expenses	8
a. Amortization of depreciation reserve over-accrual	8
b. Amortization of intangible plant.....	8
4. Taxes other than income taxes (Staff reports page 12 and CSP schedule C-3.25 and OP schedule C-3.22)	8
a. Property taxes	8
b. Commercial Activity Tax (“CAT”)	9

	c.	Payroll taxes.....	9
	d.	Regulatory fees (PUCO and OCC assessments)	9
5.		Income taxes	10
	a.	Impact of OCC objections on income taxes	10
6.		Prover Of Last Resort revenues	10
7.		Double recovery of expenses related to post 2000 rate base investment.....	10
D.		Rate of Return.....	11
	1.	Flotation costs	11
	2.	Capital asset pricing model.....	11
	3.	Rate of return -- recognition for single issue rate-making that have resulted in riders that reduce risk	11
E.		Rates and Tariffs.....	12
	1.	Rate design.....	12
	2.	Tariffs	13
F.		Service Monitoring and Enforcement.....	14
	1.	The OCC objects to the following Staff recommendation in the CSP and OP Staff reports:	14
G.		Miscellaneous	15
	1.	Deferred Distribution Regulatory Asset Recovery Rider (“DARR”).....	15
	a.	Carrying costs review	15
	b.	Carrying charges on distribution line extension investments	15
	c.	Recovery period.....	16
	2.	Distribution Investment Rider placeholder (“DIR”).....	16
H.		Low Income Programs.....	16

SUMMARY OF MAJOR ISSUES 18

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)
Columbus Southern Power Company and) Case No. 11-351-EL-AIR
Ohio Power Company, Individually and, if) Case No. 11-352-EL-AIR
Their Proposed Merger is Approved, as a)
Merged Company (collectively, AEP)
Ohio) for an Increase in Electric)
Distribution Rates.)

In the Matter of the Application of)
Columbus Southern Power Company and)
Ohio Power Company, Individually and, if) Case No. 11-353-EL-ATA
Their Proposed Merger is Approved, as a) Case No. 11-354-EL-ATA
Merged Company (collectively, AEP)
Ohio) for Tariff Approval.)

In the Matter of the Application of)
Columbus Southern Power Company and)
Ohio Power Company, Individually and, if) Case No. 11-356-EL-AAM
Their Proposed Merger is Approved, as a) Case No. 11-358-EL-AAM
Merged Company (collectively, AEP)
Ohio) for Approval to Change Accounting)
Methods.)

**OBJECTIONS TO THE PUCO STAFF'S REPORTS
OF INVESTIGATION
AND
SUMMARY OF MAJOR ISSUES
BY
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL**

I. INTRODUCTION

Pursuant to R.C. 4909.19 and Ohio Adm. Code 4901-1-28(B), the Office of the Ohio Consumers' Counsel ("OCC"), an intervenor in these cases, hereby submits to the Public Utilities Commission of Ohio ("Commission" or "PUCO") these objections to the PUCO Staff's Reports of Investigation ("Staff Reports"), as filed on September 15, 2011, in these dockets concerning the applications of Columbus Southern Power Company

("CSP") and Ohio Power Company ("OP") jointly referred to as ("AEP-Ohio" or "Companies"). The Companies seek to increase their rates and charges for electric distribution service in Ohio. OCC is the state representative for all of the approximately 1.2 million residential customers of the Companies.

OCC submits that these objections meet the specificity requirement of Ohio Adm. Code 4901-1-28. The substance of many of the OCC's objections will be supplemented and/or supported with the testimony of Messrs. Gonzalez, Soliman, and Ibrahim to be filed on or before October 24, 2011.¹ OCC's objections point to matters in the Staff Reports where the PUCO Staff ("Staff") has either made recommendations, or failed to make recommendations, that result in rates or service terms that contravene what is reasonable and lawful for the Companies' residential customers.

OCC reserves the right to amend and/or supplement its objections in the event that the PUCO Staff changes, modifies, or withdraws its position, at any time prior to the closing of the record, on any issue contained in the Staff Reports. Additionally, where the PUCO Staff has indicated that its position on a particular issue is not known at the date of the Staff Reports, OCC reserves the right to later supplement its objections once the PUCO Staff's position is made known. OCC also reserves the right to file additional expert testimony, produce fact witnesses and introduce additional evidence. Moreover, OCC's witnesses will also reserve the right to amend and/or supplement their testimony in the event that the PUCO Staff changes, modifies, or withdraws its position on any issue contained in the Staff Reports. OCC also submits that the lack of an objection in this pleading to any aspect of the Staff Reports does not preclude OCC from cross-

¹ Entry at 2 (October 13, 2011).

examination or introduction of evidence or argument in regard to issues on which the PUCO Staff changes, modifies, or withdraws its position on any issue contained in the Staff Reports.

Pursuant to R.C. 4903.083, OCC submits a “Summary of Major Issues” that outlines the major issues to be determined in this proceeding.

II. OBJECTIONS TO THE STAFF REPORT

A. Revenue Requirement

OBJECTION 1: OCC objects to the Staff-recommended revenue requirement and resulting rate increases and/or decreases recommended for CSP and OP in Staff Report Schedules A-1. The Staff’s recommendations are unreasonable, unlawful, and the recommended revenue requirement for these Companies is excessive for a number of reasons. First, they are based on an overstated valuation of the property of the Companies that is used and useful in rendering public utility service. Second, they are based upon costs which are not correctly attributed to the cost to the Companies of rendering service for the test period. Third, they utilize a rate of return that is not just and reasonable. The specific objections from which these overall conclusions are drawn are detailed below in the OCC’s objections to Staff’s recommendations regarding these matters.

Additionally, the OCC objects to each component of the Staff Reports’ Schedules A-1 recommended revenue requirement and resulting increases and/or decreases to the extent that other OCC objections have an impact on the calculation of the recommended revenue requirement (e.g. rate base, operating income, rate of return).

B. Rate Base

1. Depreciation reserve

OBJECTION 2: The OCC objects to the Staff's recommendation for a 15-year amortization period for the depreciation reserve imbalance (i.e. over-accrual) and the Staff's adjusted test year depreciation expense that is impacted by this 15-year amortization period. (Staff Reports pages 6 and 7, Schedules B-3.2 and C-3.18). The Staff should have recommended a seven-year amortization period, consistent with the recovery period proposed by the Companies and recommended by Staff for the Companies' regulatory assets such as those requested under their deferred distribution regulatory asset recovery rider. Using a seven year amortization period will ensure that benefit from over-accrual of depreciation is flowed back to customers in a reasonable time frame. The Staff's failure to recommend a shorter amortization period unreasonably causes the test year expenses to be excessive, unjust, and unreasonable to the detriment of the Companies' customers.

2. Other rate base items: prepaid pension adjustment

OBJECTION 3: The OCC objects to the Staff's increase to rate base to recognize a prepaid pension asset. (Staff Reports pages 7 and 8, Schedule B-6). The Staff's inclusion of the pre-paid pension asset as an addition to rate base unreasonably and unjustly inflates the rate base to the detriment of the Companies' customers.

3. Double recovery of return on post-2000 rate base investment

OBJECTION 4: The OCC objects to the Staff's failure to exclude from rate base the post-2000 distribution investment that the Companies have requested recovery on through the Distribution Investment Rider encompassed in the filed stipulation in Case

No. 11-346-EL-SSO. If no adjustment is made to the date certain rate base in this proceeding and the provision contained in the stipulation in the Companies' ESP filing pertaining to the DIR is upheld, the Companies will be permitted to collect a double return on post-2000 distribution investment. Such a practice is unjust, unlawful, unreasonable, and contravenes Ohio regulatory practice and policy.

C. Operating Income

1. Rider revenues and expenses

OBJECTION 5: The OCC objects to the Staff's use of "actual data" in order "to remove the effects of approved riders from the distribution test year," because the use of 12 months of actual data applied to a 3 months actual and 9 months budgeted unadjusted test year is inconsistent with the remaining adjusted test year revenue and expenses. (Staff Reports pages 8 and Schedules C-3.1 through 3.6 and CSP Schedules 3.21 and 3.22).

2. O&M expenses

a. Severance amortization

OBJECTION 6: The OCC objects to the Staff's failure to reduce 2010 severance expense, to be amortized, by the amount of federal assistance funds the Companies received under the Early Retiree Reinsurance Program. (Staff Reports pages 9 and Schedules C-3.10). The Staff's failure to do so results in unreasonable and unlawful expenses being recognized in rates, to the detriment of the Companies' customers.

b. Labor and payroll expenses

OBJECTION 7: The OCC objects to the Staff's calculation of an unreasonable level of annualized labor expenses and related payroll taxes, including the use of post-test year wage increases and the inappropriate application of O&M ratios to expenses. (Staff

Reports pages 9 and 10 and Schedule C-3.11). Staff's calculation results in recognizing costs that were not incurred to render the Companies' public utility service during the test period.

c. Employee saving plan

OBJECTION 8: The OCC objects to the Staff's failure to adjust employee savings plan expense (Account 9260027- Employee Benefits –Savings Plan Contribution) to reflect the impact of Staff's adjustments to reduce labor expense. OCC also objects to the level of employee savings plan expense to the extent that it does not reflect the impact of OCC's adjustment to reduce labor expense. (Companies Schedule C-3.11).

d. CSP miscellaneous O&M expenses

OBJECTION 9: The OCC objects to the Staff's failure to remove expenses from Account 588– Miscellaneous Distribution Expenses for CSP for three payments in June 2010 for billing periods prior to the test year. (Staff Request DR 101B). Staff's failure to remove such expenses results in recognizing costs that were not incurred to render the Companies' public utility service during the test period.

e. Budget adjustment

OBJECTION 10: The OCC objects to the Staff's CSP and OP budget adjustment to O&M expenses. The theory behind the Staff's adjustment is unclear; and it cannot be determined whether such adjustments will result in proper and legal charges to be included as recurring annual operating expense in fixing electricity rates. Further analysis of test year unadjusted O&M expenses and Staff's recommended O&M expenses is needed on an account by account basis to determine if such an adjustment is appropriate. (Staff Reports at page 12, CSP Schedule 3.23 and OP Schedule 3.21).

f. CSP actual O&M expenses adjustment

OBJECTION 11: The OCC objects to the Staff's CSP actual adjustment to O&M expenses. The theory behind the Staff's adjustment is unclear; and it cannot be determined whether such adjustments will result in proper and legal charges to be included as recurring annual operating expense in fixing electricity rates. Therefore, further analysis of test year unadjusted O&M expenses and Staff's recommended O&M expenses is needed on an account by account basis to determine if such an adjustment is appropriate. (Staff Reports at page 12 and CSP Schedule C-3.24).

g. Factored customer accounts receivable expense

OBJECTION 12: The OCC objects to the Staff's failure to eliminate from test year expenses for CSP and OP the amounts in Account 426.5009.10 – Factored Customer Accounts Expense, a “below-the-line” expense that is improper for recovery through customers' rates. These expenses are associated with the factoring of customer accounts receivable and such costs have only been recognized in rates by the Commission when the corresponding benefits derived from the factoring of customer accounts receivable have also been recognized through a reduction to working capital. Commission precedent for the proper recognition of both the cost and benefit for this type of adjustment to the expenses related to account receivable can be found in CSP's Case No. 91-418-EL-AIR and Ohio Edison Case No. 89-1001-EL-AIR. (Staff Reports Schedule C-2.1).

3. Depreciation and amortization expenses

a. Amortization of depreciation reserve over-accrual

OBJECTION 13: The OCC objects to the Staff's recommendation for a 15-year amortization period for the depreciation reserve imbalance (i.e. over-accrual) and the Staff's adjusted test year depreciation expense that is impacted by this 15-year amortization period. The Staff should have recommended a seven-year amortization period, consistent with the recovery period proposed by the Companies and recommended by Staff for the Companies' regulatory assets such as those requested under their distribution asset recovery rider. Using a seven year amortization period will ensure that benefit from over-accrual of depreciation is flowed back to customers in a reasonable time frame. (Staff Reports pages 6 and 7, Schedules B-3.2 and C-3.18). The Staff's recommendation results in recognizing unreasonable and unlawful expenses, to the detriment of the Companies' customers.

b. Amortization of intangible plant

OBJECTION 14: The OCC objects to the Staff's annual amortization for intangible plant because that adjusted amortization exceeds the date certain net intangible plant balances. The adjusted annual amortization for intangible plant should be limited to the date certain net balance for that plant, consistent with R.C. 4909.15(A)(1). (Staff Reports Schedules C-2 and Companies Schedule C-2.1, Account 404).

4. Taxes other than income taxes (Staff reports page 12 and CSP schedule C-3.25 and OP schedule C-3.22)

a. Property taxes

OBJECTION 15: The OCC objects to the Staff's failure to calculate property taxes on the adjusted plant in service and for failing to use the latest known tax valuations and

rates. (Staff Reports at page 12 and Schedules C-3.25). In so doing, the Staff relies upon data that is stale and not likely representative of the time period during which the rates set in this proceeding will be in effect.

b. Commercial Activity Tax (“CAT”)

OBJECTION 16: The OCC objects to the Staff’s calculation of CAT because it was based on out-of-test-period levels of operating revenues rather than on the adjusted test year operating revenue and the CAT tax rate. (Staff Reports Schedule C-3.25). As such the Staff’s recommendation recognizes costs that do not qualify as costs to the Companies of rendering public utility service during the test period, violating R.C. 4909.15.(A)(4).

c. Payroll taxes

OBJECTION 17: The OCC objects to the Staff’s calculation of payroll taxes, because the Staff failed to apply payroll taxes to the adjusted labor expenses as described in other OCC objections. (Staff Reports Schedule C-3.25). Failure to recognize the flow through effects caused by other adjustments is improper ratemaking.

d. Regulatory fees (PUCO and OCC assessments)

OBJECTION 18: The OCC objects to the Staff’s failure to calculate adjusted test year PUCO and OCC assessments based on the most recent PUCO assessment and on approximately 50% of the latest OCC assessment to reflect cuts made to OCC’s budget. The Staff’s failure results in overstated, unreasonable and unlawful expenses being recognized in rates, to the detriment of the Companies’ customers, and in violation of R.C.4909.15(A)(4).

5. Income taxes

a. Impact of OCC objections on income taxes

OBJECTION 19: The OCC objects to each component of the Staff's calculation of income taxes to the extent that other OCC objections have an impact on the calculation of net operating income.

6. Prover Of Last Resort revenues

OBJECTION 20: The OCC objects to the Staff's failure to include provider of last resort revenues of \$95.8 million for CSP and \$53.2 million² for OP collected from the Companies' customers during the test year, through a distribution rider approved in Case No. 08-917-EL-SSO. Such revenues should have been included in the test year revenues calculation and should have reduced the need for a revenue increase for both Companies. The Staff's failure to account for such revenues results in the test year revenues being significantly understated, resulting in an unjust and unreasonable revenue requirement being calculated for the Companies, to the detriment of the Companies' customers.

7. Double recovery of expenses related to post 2000 rate base investment

OBJECTION 21: The OCC objects to the Staff's failure to exclude expenses, including property taxes, commercial activity tax, associated income taxes, and depreciation associated with post 2000 distribution investment. The Companies have requested to recover these very same expenses on post 2000 distribution investment through a 20.3% carrying charge rate implemented through the Distribution Investment Rider encompassed in the filed stipulation in Case No. 11-346-EL-SSO. If no adjustment is made to exclude these very same expenses from the distribution case and the stipulation

² Companies' supplemental response to Staff Data Request DR 83.

provision in the Companies' ESP filing pertaining to the DIR is upheld, the Companies will be permitted to collect twice for expenses associated with post-2000 distribution investment. Such a practice is unjust, unlawful, unreasonable and contravenes Ohio regulatory practice and policy.

D. Rate of Return

1. Flotation costs

OBJECTION 22: The OCC objects to the Staff's allowance for increased cost of equity by allowing an adjustment for flotation or equity issuance costs. CSP and OP did not provide proof of the magnitude of flotation costs either Company will incur in the reasonably near future.

2. Capital asset pricing model

OBJECTION 23: The OCC objects to the Staff's methodology in its Capital Asset Pricing Model that utilized a risk premium that was inappropriate because it was based on the spread of arithmetic mean total returns between large companies' stocks and long-term government bonds, thereby artificially increased the common equity cost. The use of arithmetic mean of annual returns inflated the estimated cost of equity because it unrealistically assumed that the relevant investment holding period was only one year even though investors were expected to hold their stocks for longer terms.

3. Rate of return -- recognition for single issue rate-making that have resulted in riders that reduce risk

OBJECTION 24: The OCC objects to the Staff failure to investigate and address the usage of the lower end of the Staff Report's rate of return range-- 7.06% for CSP and 7.05% for OP -- in recognition of the reduced risk that the Companies face with respect to revenues and cost recovery from previously approved PUCO riders and proposed

riders and risk-reducing mechanisms. These mechanisms are the following: Riders Universal Service Fund, Advanced Energy Fund, KWH Tax, Energy Efficiency/Peak Demand, Economic Development Cost Recovery, Enhanced Service Reliability, Mon Power Litigation Termination and gridSMART which provide for recovery of significant portions of each Company's operating base revenues. According to Staff Reports Schedule C-2, these riders provide 38% of CSP's operating base revenue and 40% of OP's operating base revenue. The Companies' proposed riders such as the DIR and DARR will also provide additional revenues and further serve as risk reducing mechanisms. Given such risk reducing rate tools, a fair and reasonable rate of return should be calculated based on the lower end of the rate of return range recommended by the Staff.

E. Rates and Tariffs

1. Rate design

OBJECTION 25: a. The OCC objects to the CSP and OP Staff Reports because the Staff recommended an 86% increase to the current CSP customer charge of \$4.52 (CSP Staff Report at 38) and a 120% increase to the current OP customer charge of \$3.82 (OP Staff Report at 37).. These recommended increases to the customer charges for CSP and OP exceeded the Staff's own calculation of the customer charges pursuant to the Staff's standard approach. (CSP Staff Report at 35, OP Staff Report at 34). Under the Commission recognized theory of gradualism, such significant changes in customer charge should be gradual in order to avoid possible rate shock for some users.

OBJECTION 26: b. The OCC objects to the changes in rate design proposed by the Staff in the CSP and OP Staff Reports whereby Schedule RR for CSP is changed from a two-block design to a single-block design. The elimination of the second lower

trailing block in the winter for customers with consumption above 800 kWh will cause rate shock to heating customers in the winter, and thus if accepted violates the Commission recognized principle of gradualism.

OBJECTION 27: c. OCC objects to the Staff's recommendation to implement all revenue requirement adjustments in the recommended rate design, for residential customers, through changes to only the energy/demand charge. (CSP Staff Report at 36, 38, see also OP Staff Report at 36, 37). The Staff should have proposed implementing the revenue requirement adjustments through changes to both the customer charges and energy/demand charges because the revenue requirement needs of the Companies are attributable to both components of the customers' bills and there has been no showing that the revenue requirement adjustment should be limited to the energy/demand charge.

OBJECTION 28: d. OCC objects to the Staff Reports for CSP and OP in that the Staff did not recommend a process for determining the design for rates and tariffs in the event that the Commission approves the pending merger of the AEP-Ohio Companies.

OBJECTION 29: e. OCC objects to the Staff's failure to recommend that the Commission adopt a revenue decoupling rider that would have the effect of removing the throughput incentive for the Companies and help align the Companies' interest with customer interest in procuring cost-effective energy efficiency resources.

2. Tariffs

OBJECTION 30: a. The OCC objects to the CSP and OP Staff Reports recommendation for the approval of a Disconnect/ Reconnect at Customer Request Charge at a level of \$77 that is not cost justified. (Staff Reports pages 25).

OBJECTION 31: b. The OCC objects to the Staff's recommendation in the CSP Staff Report to approve a 263% increase in the level of the Reconnection Charge at the meter for non-payment during normal business hours (CSP Staff Report at 24).³ The Staff's recommendation is not cost justified (CSP Staff Report at 24)⁴ and fails to recognize the impact the significant increase in the Reconnection Charge may have on the health and safety of residential customers.

OBJECTION 32: c. The OCC objects to the OP Staff Report that recommends approval of an 80% increase in the level of the Reconnection Charge at meter for non-payment during normal business hours (OP Staff Report at 24).⁵ The Staff has failed to recognize the impact the significant increase in the Reconnection Charge may have on the health and safety of residential customers.

F. Service Monitoring and Enforcement

1. The OCC objects to the following Staff recommendation in the CSP and OP Staff reports:

OBJECTION 33: "Staff further recommends that the Commission order [CSP and OP] to file before December 31, 2013 a revised vegetation management program that commits the Company to complete end-to-end trimming on all of its distribution circuits every four years beginning in 2014." (CSP Staff Report at 60, OP Staff Report at 61).

The recommendation requires the Companies to file a revised vegetation management program without specifying the required content of the Companies' revised vegetation management program. The Staff recommendation fails to require, as part of

³ From the current charge of \$11.30 the Staff is recommending \$41.00.

⁴ Staff is recommending reducing the Applicant's \$48 calculation by 15%" however, there is no cost justification for this adjustment.

⁵ From the current charge of \$36.00 the Staff is recommending \$65.00.

the revised vegetation management program: (1) advance notice requirements, (2) communication requirements between the Companies and their customers and communities and (3) requirements for a dispute resolution process.

The OCC objects to the Staff's failure in the CSP and OP Staff Report to provide any recommendations concerning how Customer Services could be improved, given the significant number of customer calls to the PUCO call center concerning the Companies.

G. Miscellaneous

1. Deferred Distribution Regulatory Asset Recovery Rider ("DARR")

a. Carrying costs review

OBJECTION 34: The OCC objects to the Staff's failure to recommend that the proposed review of "the associated carrying costs... prior to implementation" of the DARR should include a review as to whether carrying costs have been, and will be, applied on the appropriate net-of tax basis. (Staff Reports pages 13).

b. Carrying charges on distribution line extension investments

OBJECTION 35: The OCC objects to the Staff's failure to recommend that carrying charges on line extension investments should cease as of date certain, because the Companies' current rates have provided them with a reasonable return on the underlying line extension investments as of date certain. This is demonstrated by the absence of a revenue deficiency (i.e. the existence of a revenue excess) for the Companies as calculated by OCC⁶ based on a reasonable rate of return on date certain rate base, which included these line extension investments.

⁶ Staff has also recognized that CSP has excessive revenues, as evidenced by its A-1 schedule showing a revenue requirement ranging from (9,541 million) to (2,302 million).

c. Recovery period

OBJECTION 36: The OCC objects to the Staff's failure to recommend that the DARR recovery period should begin January 1, 2012, rather than the Companies' proposed January 1, 2013. (Staff Reports pages 13). Beginning the recovery period of DARR sooner rather than later will reduce the cost of the DARR to customers and thereby benefit customers by reducing carrying charges.

2. Distribution Investment Rider placeholder ("DIR")

OBJECTION 37: The OCC objects to the Staff's failure to conclude that the Companies' proposal to include a DIR to recover "net plant post 2000" is inappropriate, unreasonable and is not supported by the revenue requirements determined in these cases that are based on date certain plant (August 31, 2010) and test year operating income (June 1, 2010 through May 31, 2011). The OCC objects to the Staff's failure in its comments and recommendations on the DIR to reject the DIR on the basis that it is a single issue ratemaking adjustment that is inappropriate under traditional ratemaking statutes.⁷

H. Low Income Programs

OBJECTION 38: 1. OCC objects to the Staff's failure to investigate and address the Companies' test year uncollectible expense account for PIPP specific bad debt expense. According to Ohio Adm. Code 122:5-3-04(B)(2),⁸ the electric distribution utility ("EDU") is no longer entitled to reimbursement from the universal service fund ("USF")

⁷ *Pike Natural Gas Co. v. Pub. Util. Comm.* (1981), 68 Ohio St.2d 181,22 O.O.3d 410, 429 N.E.2d 444 (no authority for the PUCO to enact an excise tax adjustment clause). See also *In the Matter of the Application of Ohio American Water Company to Increase its Rates for Water and Sewer Services Provided to its Entire Service Area*, Opinion and Order at 29-30 (May 5, 2010).

⁸ Effective November 1, 2010.

for any revenue deficiency resulting from a defaulting PIPP customer's failure to pay the monthly PIPP installment payment. This issue should have been addressed as part of these cases, and not treated through single issue rate-making as proposed by the Companies.⁹

OBJECTION 39: 2. The OCC objects that the CSP and OP Staff Reports failed to provide a review of the Companies' Neighbor to Neighbor program to determine whether the program is sufficient to meet customers' needs. Due to the economic downturn, more and more of the Companies' residential customers struggle to pay their electric bill. An analysis of the Neighbor to Neighbor program would be imperative to reaching a determination as to the sufficiency of the existing program or identifying ways to increase the funding available for income-eligible customers who are unable to pay their electric bill.

⁹*In the Matter of the Application of Columbus Southern Power Company for Approval of a Mechanism to Recover Costs in Relation to the Department of Development's Update to the Percentage of Income Payment Plan Plus and Deferral Costs ("CSP PIPP Rider Case")*, Case No. 11-148-EL-RDR Application (January 11, 2011); See *In re Ohio Power PIPP Rider Case*, Case No. 11-149-EL-RDR, Application (January 11, 2011).

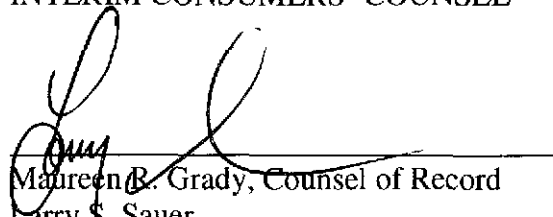
SUMMARY OF MAJOR ISSUES

Pursuant to Ohio R.C. 4903.083, the Commission should include the following as major issues in this proceeding:

1. The appropriate level of revenues that CSP and OP should be authorized to collect/refund though its rates charged to customers;
2. The appropriate value of utility investment in property used to provide customers electric service;
3. The cost to the Companies of rendering public utility service for the test period;
3. The appropriate profit that the PUCO will give CSP and OP an opportunity to earn for providing electric distribution services to residents in Ohio;
4. For any revenue increase or decrease the Commission grants to CSP and OP, the fair and equitable amount of any increase or decrease that residential customers should pay;
5. The design of rates that CSP and OP will be authorized to implement, including consideration of basic rate design principles of fairness and equity. Additionally the design of rates should include consideration of whether rates are appropriately structured to send consumers the proper price signal, encourage conservation and remove any disincentive for the Company to undertake energy efficiency programs.
6. The level of the monthly fixed customer charge that residential customers must pay to CSP and OP;

Respectfully submitted,

BRUCE J. WESTON
INTERIM CONSUMERS' COUNSEL

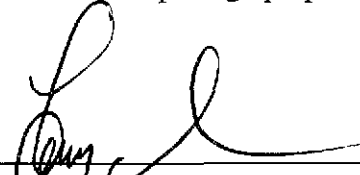
A handwritten signature in black ink, appearing to read "Maureen B. Grady", is written over a horizontal line. The signature is stylized and cursive.

Maureen B. Grady, Counsel of Record
Larry S. Sauer
Assistant Consumers' Counsel

Office of the Ohio Consumers' Counsel
10 West Broad Street, Suite 1800
Columbus, Ohio 43215-3485
614-466-9567 (Direct – Grady)
614-466-1312 (Direct – Sauer)
614-466-9475 (Facsimile)
grady@occ.state.oh.us
sauer@occ.state.oh.us

CERTIFICATE OF SERVICE

I hereby certify that a copy of the Office of the Ohio Consumers' Counsel's *Objections to the PUCO Staff's Report of Investigation and Summary of Major Issues* was provided to the persons listed below via first class U.S. Mail, postage prepaid, this 17th day of October, 2011.



Larry S. Sauer
Assistant Consumers' Counsel

PARTIES OF RECORD

Werner Margard
Stephen Reilly
Assistant Attorney General
180 East Broad Street, 6th Floor
Columbus, OH 43215-3793
Werner.margard@puc.state.oh.us
Stephen.reilly@puc.state.oh.us

Steven T. Nourse
Matthew J. Satterwhite
Anne M. Vogel
Julie A. Rutter
American Electric Power Corporation
1 Riverside Plaza, 29th Floor
Columbus, OH 43215-2373
stnourse@aep.com
mjsatterwhite@aep.com
amvogel@aep.com
jarutter@aep.com

David F. Boehm
Michael L. Kurtz
Boehm, Kurtz & Lowry
36 East Seventh Street, Suite 1510
Cincinnati, OH 45202
dboehm@BKLawfirm.com
mkurtz@BKLawfirm.com

Samuel C. Randazzo
Joseph E. Oliker
Frank P. Darr
McNees Wallace & Nurick LLC
21 East State Street, 17th Floor
Columbus, OH 43215
sam@mwncmh.com
joliker@mwncmh.com
fdarr@mwncmh.com

Attorneys for the Ohio Energy Group

Attorneys for Industrial Energy-Users

Richard L. Sites
Ohio Hospital Association
155 East Broad Street, 15th Floor
Columbus, OH 43215-3620
ricks@ohanet.org

Attorney for the Ohio Hospital Association

Thomas J. O'Brien
Bricker & Eckler LLP
100 South Third Street
Columbus, OH 43215-4291
tobrien@bricker.com

Attorney for the Ohio Hospital Association

Colleen L. Mooney
Ohio Partners for Affordable Energy
231 West Lima Street
Findlay, OH 45839-1793
cmooney2@columbus.rr.com

Attorney for Ohio Partners for Affordable Energy

Christopher J. Allwein
Williams, Allwein and Moser, LLC
1373 Grandview Ave., Suite 212
Columbus, OH 43212
callwein@williamsandmoser.com

Attorney for the Natural Resources Defense Council

Mark A. Hayden
FirstEnergy Service Company
76 South Main Street
Akron, OH 44308
haydenm@firstenergycorp.com

Attorney for FirstEnergy Solutions Corp.

James F. Lang
Laura C. McBride
N. Trevor Alexander
Calfee, Halter & Griswold LLP
1400 KeyBank Center
800 Superior Ave.
Cleveland, OH 44114
jang@calfee.com
lmcbride@calfee.com
talexander@calfee.com

Attorneys for FirstEnergy Solutions Corp.

Lisa G. McAlister
Matthew W. Warnock
Bricker & Eckler LLP
100 South Third Street
Columbus, OH 43215-4291
lmcalister@bricker.com
mwarnock@bricker.com

Attorneys for OMA Energy Group

Daniel R. Conway
Porter, Wright, Morris & Arthur LLP
41 South High Street
Columbus, OH 43215
dconway@porterwright.com

Attorney for AEP Service Corp.

Michael R. Smalz
Joseph V. Maskovyak
Ohio Poverty Law Center
555 Buttles Avenue
Columbus, OH 43215
mismalz@ohiopovertylaw.org
jmaskovyak@ohiopovertylaw.org

Attorneys for the Appalachian Peace and
Justice Network

Douglas G. Bonner
Emma F. Hand
Keith C. Nusbaum
SNR Denton US LLP
1301 K Street NW
Suite 600, East Tower
Washington, DC 20005
doug.bonner@snrdenton.com
emma.hand@snrdenton.com
keith.nusbaum@snrdenton.com

Attorneys for Ormet Primary Aluminum
Corporation

Barth E. Royer
Bell & Royer Co., LPA
33 South Grant Avenue
Columbus, OH 43215-3927
BarthRoyer@aol.com

Special Counsel for
The Ohio Department of Development

Henry W. Eckhart
1200 Chambers Road, #106
Columbus OH 43212
henryeckhart@aol.com

Attorney for The Sierra Club

Mark S. Yurick
John W. Bentine
Zachary D. Kravitz
Chester Willcox & Saxbe, LLP
65 East State Street, Suite 1000
Columbus, OH 43215
myurick@cwsllaw.com
jbentine@cwsllaw.com
zkravitz@cwsllaw.com

Attorneys for the Kroger Co.

Dylan Sullivan
Energy Advocate
Natural Resources Defense Council,
Midwest Office
2 N Riverside Plaza, Suite 2250
Chicago, IL 60606
dsullivan@nrdc.com

Benita Kahn
Lija Kaleps-Clark
Vorys, Sater, Seymour and Pease LLP
52 E. Gay St., P.O. Box 1008
Columbus, OH 43216-1008
bakahn@vorys.com

Attorney for Ohio Cable
Telecommunications Association