

or “Companies”). Specifically, OCC moves to strike the following objections filed by the Companies on October 17, 2011:

Objection-1: The Staff Reports utilize costs of service that are based on inconsistent data and contain clerical errors.

a. The Staff Report erred by using data based on actuals in their adjustments, but did not correspondingly adjust the starting total distribution amounts, resulting in an analysis that improperly subtracts adjustments based on actuals from the as-filed estimated total distribution function in Schedule C- 2, Col. C.

b. The overall results of the reports are invalid and unreasonable due to the cumulative effect of these errors in methodology resulting in a revenue recommendation which cannot be relied on. The Companies note numerous adjustments which contained errors of a clerical nature.²

Ojection-4: The Staff Report adjusted the Companies' cases by using known actual rider revenue and expense amounts for the test year and subtracting them from the actual/projected values that the Companies based their filings upon. The Companies object to this methodology because the Staff Reports do not make the necessary corresponding adjustments to the total Distribution revenue and expense amounts, resulting in a misstatement of the Companies operating income. The Staff Reports contain errors (such as excluding necessary accounts or designing the adjustment such that the answer was wrong) that resulted in a misstatement of those adjustments.³

Ojection-17: The Staff Reports unreasonably and unlawfully proposed decreases in the major storm damage basis to a level proposed by Commission Staff in 11-346-EL-SSO et al. cases. The adjustment is unreasonable and unlawful because the lower suggested base-line relies upon a false premise that the Companies exposure to major storms has decreased due to aggressive right-of-way clearing.⁴

Ojection-18: The Staff Reports unreasonably and unlawfully make an adjustment to the storm damage level because the Staff Report did not reflect the actual basis for O&M storm damages incurred during the test year.⁵

Objection- 20: The Staff Reports unreasonably and unlawfully reflect improper capital structures. The Companies' capital structures should be revised to remove the balance of debt equivalent to the balance of the regulatory asset(s) to which it is been assigned.⁶

² AEP Ohio Objections to the Staff Report at 3 (October 17, 2011).

³ Id. at 4.

⁴ Id. at 8.

⁵ Id.

⁶ Id. at 9.

Objection 23: The Staff Reports unreasonably and unlawfully recommend a return on equity too low for the Companies to adequately compensate investors and are too low when compared to those approved in other jurisdictions.⁷

Objection-24: The Staff Reports unreasonably and unlawfully rely upon studies to determine the return on equity with faulty assumptions used in the design of the studies and are not reasonable given the type of study being performed.⁸

Objection-25: The Staff Reports unreasonably and unlawfully rely on studies to determine the return on equity that fail to recognize the realities and behaviors of the capital markets in which the Companies compete for funds.⁹

Objection- 27: The Staff Reports are unreasonable and unlawful because the reports fail to overcome the evidence in direct testimony that supports the reasonableness of the recommended ROE for the Companies within the range of 10.55 percent to 11.55 percent.¹⁰

These nine objections by the Companies should be stricken because they lack specificity or are contrary to Commission rulings. The grounds for OCC's Motion to Strike are more fully set forth in the accompanying Memorandum in Support.

⁷ Id. at 10.


⁸ Id.

⁹ Id.

¹⁰ Id. at 11.

Respectfully submitted,

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

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Ohio)	
Edison Company, The Cleveland Electric)	
Illuminating Company, and The Toledo)	Case No. 07-551-EL-AIR
Edison Company for Authority to Increase)	Case No. 07-552-EL-ATA
Rates for Distribution Service, Modify)	Case No. 07-553-EL-AAM
Certain Accounting Practices and for)	Case No. 07-554-EL-UNC
Tariff Approvals.)	

**MEMORANDUM IN SUPPORT OF MOTION TO
STRIKE CERTAIN AEP OHIO TO THE STAFF REPORTS
BY
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL**

I. INTRODUCTION

The Staff Reports in the above-captioned cases were issued on September 15, 2011. Pursuant to R.C. 4909.19, objections to the Staff Reports were submitted by parties on or before October 17, 2011. The Companies, as well as other parties, submitted objections. An Entry dated September 16, 2011 provided that motions to strike objections should be filed by October 24, 2011.¹¹ The OCC addresses the nine AEP Ohio objections in this pleading, which should be stricken.

¹¹ Entry at 1, ¶6.

II. ARGUMENT

A. Certain of AEP Ohio's Objections Should Be Stricken Because They Lack Specificity, In Violation Of Ohio Adm. Code 4901-1-28(B).

R.C. 4909.19 allows the filing of objections to a Staff Report by any interested persons. If any such objections are filed with the Commission, the Commission is required to hold a hearing for the taking of testimony "with respect to the application and objections..." Ohio Admin. Code 4901-1-28 further clarifies the procedure, stating that the "objections may relate to findings, conclusions, or recommendations contained in the report, or to the failure of the report to address one or more specific items. All objections must be specific, and objections which fail to meet this requirement may be stricken...."

Thus, the requirements as to objections are that they must relate to findings, conclusions or recommendations in a staff report or must relate to the failure of the staff report to address as items, and must be specific. Furthermore, as conveyed by Entry of September 16, 2011, any objection that is not specific enough to convey what is actually being placed at issue will be struck. With these standards in mind, OCC moves to strike the following of AEP Ohio's objections:

Objection -1: (Revenue Requirement)

The Companies object to the Staff's cost of service based on unidentified "inconsistent data," and object that the Staff Reports contain unidentified "clerical errors." The Companies allege that the Staff Report erred by improperly subtracting unidentified adjustments and allege undefined errors in methodology. From these objections it cannot be determined what is actually being placed in issue. The objections are not specific. They should be struck.

Objection -4: (Rider revenues and expenses)

The Companies object to unidentified rider revenues and expenses and allege the Staff Report contains unspecified errors that resulted in a misstatement of “those adjustments.” From these objections it cannot be determined what is actually being placed in issue. Which of the 17 riders requested in the case are in issue and what expenses related to those riders? What were the errors that resulted in “a misstatement” of “those [unidentified] adjustments?” The objections are not specific. They should be struck.

Objection -20: (Rate of Return, Capital Structure)

The Companies object to the Staff’s recommendation of improper capital structures. The Companies further object as follows: “balance of debt equivalent to the balance” of the unidentified “regulatory asset(s) to which it has been assigned.” From these objections it cannot be determined what is actually being placed in issue. The objection is not specific, and should be struck.

Objection – 23: (Cost of Common Equity)

The Companies object that the return on equity is too low to adequately compensate investors and too low when compared to those approved in other jurisdictions. From this objection it cannot be determined what is actually being placed in issue. The objection is not specific, and should be struck.

Objection – 24: (Cost of Common Equity)

The Companies allege the Staff Report relies upon unidentified “studies” to determine the return on equity with unidentified “faulty assumptions” used in the design of the studies, and object that something is “not reasonable given the type of study being

performed.” The objection is unintelligible. From this objection it cannot be determined what is actually being placed in issue. The objection is not specific, and should be struck.

Objection – 25: (Cost of Common Equity)

The Companies allege that the Staff Reports rely on unidentified “studies” to determine the return on equity and that the unidentified studies fail to recognize unidentified “realities and behaviors of capital markets” in which the Companies compete for funds. From this objection it cannot be determined what is actually being placed in issue. The objection is not specific, and should be struck.

Objection – 27: (Cost of Common Equity)

The Companies allege that the Staff Reports are unreasonable because they fail “to overcome the [unidentified] evidence in direct testimony that supports the reasonableness of the recommended ROE for the Companies within the range of 10.55 percent to 11.55 percent. From this objection it cannot be determined what is actually being placed in issue. The objection is not specific, and should be struck.

B. Certain of AEP Ohio’s Objections Should Be Stricken Because They Do Not Relate To The Staff’s Recommendations.

The Companies have also included objections which do not relate to the Staff’s recommendations. In a Water and Sewer, LLC case, Commission has ruled on the requirements of objections to the Staff Report. The Commission stated:

Thus the only requirements as to the objections are that they must relate to the findings, conclusions, or recommendations in a staff report, or must relate to the failure of the staff report to address as items, and must be specific.¹²

¹² *In the Matter of the Application of Water and Sewer LLC for an Increase in its Rates and Charges*, Case No. 08-227-WS-AIR, Opinion and Order at 2 (April 14, 2009).

In this case, the following objections should be stricken for the Companies failure to relate their objections to a Staff recommendation:

Objection - 17: (Storm Damage Adjustment)

The Companies have objected to the Staff's storm damage adjustment "because of a false premise that the Companies' exposure to major storms has decreased due to aggressive right-of-way clearing."¹³ However, the alleged rationale is not noted in the Staff Reports. Therefore, this objection should be stricken.

Objection – 18: (Storm Damage Adjustment)

The Companies have objected to the Staff's storm damage adjustment because "the Staff Reports unreasonably and unlawfully proposed decreases in the major storm damage basis to a level proposed by Commission Staff in 11-346-EL-SSO et al. cases." However, AEP Ohio's alleged rationale is not noted in the Staff Reports. Rather, the Staff has reduced the test year expenses the Companies proposed for storm damage because the Companies had included expenses based on an average of the five year period (2005-2009) that encompassed expenses related to Hurricane Ike.¹⁴

The Staff attempted to strike a balance in their adjustments for storm damage. The Staff did so by using a three-year average 2007, 2008, and 2010 that excluded the extraordinary expenses incurred in 2008 associated with the Hurricane Ike storm damage. The Staff also excluded the two years 2006 (a year in which storm damage expenses were unusually low) and 2009 (a year in which storm damage expenses were unusually high) from the recommended test year storm damage expenses. The Staff merely adjusted the

¹³ AEP Ohio Objections to the Staff Report at 8 (Objection No. 17).

¹⁴ Staff Reports at 12.

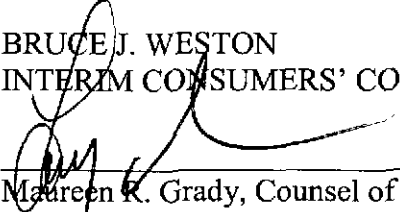
Companies methodology for anomalies contained within the five-year period chosen by the Companies.

III. CONCLUSION

For the reasons set forth herein, the Commission should strike nine of AEP Ohio's objections as discussed above, in accordance with Ohio Adm. Code 4901-1-28(B).

Respectfully submitted,

BRUCE J. WESTON
INTERIM CONSUMERS' COUNSEL

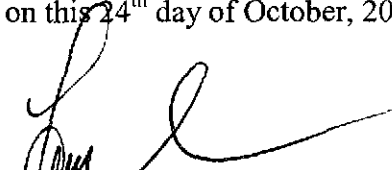


Maureen R. Grady, Counsel of Record
Larry S. Sauer
Assistant Consumers' Counsel

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

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Motion to Strike Objections by the Office of the Ohio Consumers' Counsel was served by first class United States Mail, postage prepaid, to the persons listed below, on this 24th 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

Attorneys for the Ohio Energy Group

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 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
jlange@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
momalz@ohiopoveritylaw.org
jmaskovyak@ohiopoveritylaw.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

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

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

Attorney for The Sierra Club

John Davidson Thomas
Hogan Lovells US LLP
Columbia Square
555 Thirteenth Street, NW
Washington D.C. 20004
Dave.Thomas@hoganlovells.com

Attorney for Ohio Cable
Telecommunications Association