

FILE

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

9
RECEIVED-DOCKETING DIV.
2012 JAN 13 PM 4:19
PUCO

In the Matter of the Application of)
Columbus Southern Power Company and)
Ohio Power Company, Individually and, if) Case No. 11-351-EL-AIR
Their Proposed Merger is Approved, as a) Case No. 11-352-EL-AIR
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)

OHIO POWER COMPANY'S APPLICATION FOR REHEARING

On December 14, 2011, the Commission issued an Opinion and Order in the above-captioned cases (Opinion and Order), modifying and adopting the November 23, 2011 Stipulation and Recommendation (Stipulation).¹ The Opinion and Order, adopted the Stipulation with additional steps required concerning the pilot program approved concerning revenue decoupling for Ohio Power Company (OPCo) (the company merged with Columbus Southern Power Company (CSP) in another order on the same day effective at the end of 2011 collectively referred throughout as "AEP Ohio").

¹ The Commission issued an *Entry Nunc Pro Tunc* a day later on December 15, 2011 clarifying some language ("*Nunc Pro Tunc*").

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.

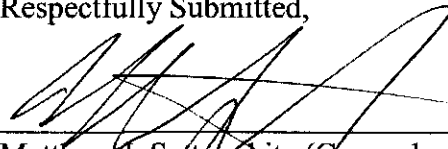
Technician JD Date Processed 01-13-12

Accordingly, OPCo (AEP Ohio) also represents, and is the successor in interest to, the interests of CSP. On that basis, and pursuant to §4903.10, Ohio Rev. Code, and §4901-1-35 (A), AEP Ohio seeks rehearing of the Opinion and Order as further explained below to clarify that the additional steps ordered by the Commission did not change the overall terms of the pilot program. Specifically, AEP Ohio seeks rehearing on the following issues:

- 1. The Commission's Opinion and Order is unreasonable and unlawful to the extent it is removing the pilot nature of the program and requiring a permanent rate design based on revenue decoupling.**
- 2. The Commission's Opinion and Order is unreasonable and unlawful because of its premature addition of reporting requirements concerning the success of the program.**

A memorandum in support is attached and sets forth the specific grounds supporting the above-listed errors.

Respectfully Submitted,



Matthew J. Satterwhite (Counsel of Record)
Steven T. Nourse

American Electric Power Corporation
1 Riverside Plaza, 29th Floor
Columbus, Ohio 43215-2373
Telephone: (614) 716-1608
Facsimile: (614) 716-2950
mjsatterwhite@aep.com
stnourse@aep.com

Counsel for Ohio Power Company

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)	
Columbus Southern Power Company and)	
Ohio Power Company, Individually and, if)	Case No. 11-351-EL-AIR
Their Proposed Merger is Approved, as a)	Case No. 11-352-EL-AIR
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)	

MEMORANDUM IN SUPPORT

ARGUMENT

The December 14, 2011 Opinion and Order approved the Stipulation filed by the parties in the case with a few additions to the pilot program. To the extent those additions change the decoupling pilot or purpose of the program the Commission order is unreasonable and unlawful and the Commission should grant rehearing to put those additions into proper context or remove them from the approval of the Stipulation.

1. **The Commission's Opinion and Order is unreasonable and unlawful to the extent it is removing the pilot nature of the program and requiring a permanent rate design based on revenue decoupling.**

The Signatory Parties deliberately described the decoupling pilot in the Stipulation as a three year program with a confined period. It is not clear if the Commission maintained that aspect of the program in its Opinion and Order. The Commission indicated it needed to take some additional steps to approve the pilot. Those additions included requiring a cost of service study update, a revenue neutral update to the rate design in January of 2015, and "the throughput balancing adjustment rider will be extended past its proposed termination date in 2015 until otherwise ordered by the Commission." (Opinion at 10).

AEP Ohio reads the extension of the throughput balancing adjustment as related to the potential over/under recovery of the rates from 2012 through 2014 when the decoupling mechanism is in effect. The extension of the existence of the rider is intended only to effectuate paragraph 5 of Attachment Y to the Stipulation. A clarification that the design of the pilot program sunsets and any future decoupling program would need to be requested in a future proceeding and approved by the Commission is needed.

Without that clarification the language could be misread to maintain the rider into perpetuity and an associated requirement to maintain decoupled rates. The Signatory Parties did not agree to a permanent decoupling of rates, rather the parties agreed to a pilot. It would be unreasonable at this stage to lock AEP Ohio into a permanent decoupling mechanism that it agreed to implement as part of an overall settlement with the intent to review and determine the pros and cons of such a program.

The Commission should grant rehearing or alternatively clarify that the extension of the rider is only to extend the financial mechanism for future use but not to be used to lock AEP Ohio permanently into the pilot decoupling structure.

2. The Commission's Opinion and Order is unreasonable and unlawful because of its premature addition of reporting requirements concerning the success of the program.

The Commission's Opinion and Order unreasonably adds some duties to the Company concerning the pilot decoupling program that are premature. The Opinion requires AEP Ohio to prepare a "detailed proposal regarding the type of data proposed to be obtained, how that data will be obtained, and metrics to evaluate the success of the pilot program." (Opinion and Order at 10). The Company is required to file this proposal in the generic Commission investigation in Case No. 10-3126-EL-UNC within six months of the Opinion and Order. The addition of this duty is unreasonable because it presupposes the result of the generic docket.

The Commission opened the investigation in 10-3126-EL-UNC to explore if changes in rate structures for Ohio utilities would better align performance with public policy outcomes. An AEP Ohio proposal that establishes criteria for the success or failure of its pilot meant to produce data is premature until the Commission determines the goals and marks of success or failure with a decoupling program. The parties supporting the Stipulation did not declare an expected outcome in testimony or desired results. The parties simply recognized the value of having a program underway as a pilot to study and see the impacts while the broader question is being debated and considered in the 10-3126 docket. The determination of what constitutes success or failure can be

determined later. A declaration of what constitutes success at this preliminary stage is inappropriate.

One possible alternative to establishing reporting requirements now is that the Commission could order on rehearing that AEP Ohio consider the data gathered in its decoupling advisory group. AEP Ohio agreed to form an advisory group within forty-five (45) days of the Commission's adoption of the Stipulation in Case Nos. 11-346-EL-SSO et al. ("*AEP Ohio ESP*") to discuss and explore a rate decoupling mechanism. After forming and conducting discussions, that advisory group would be a better place to consider the gathered information focused on AEP Ohio's territory. The advisory group includes members that signed the Stipulation in the ESP. AEP Ohio would commit to recommend to the members of that group the addition of the parties signing the Stipulation approved in this Opinion and Order, which would include adding the Ohio Consumers' Counsel to the advisory group. OCC did not sign the Stipulation in the *AEP Ohio ESP* case and therefore is not a member of this advisory group on decoupling. Staff and others signing the *AEP Ohio ESP* stipulation are already members of the advisory group. Any applicable data could still be provided to the generic docket as appropriate.

The Commission should grant rehearing to address these additions and adapt its decision to align with the purpose of the agreement to gather data for use and discussion.

CONCLUSION

For the foregoing reasons, the Commission should grant the foregoing application for rehearing submitted by Ohio Power Company.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'Matthew J. Satterwhite', is written over a horizontal line.

Matthew J. Satterwhite (Counsel of Record)

Steven T. Nourse

American Electric Power Corporation

1 Riverside Plaza, 29th Floor

Columbus, Ohio 43215-2373

Telephone: (614) 716-1608

Facsimile: (614) 716-2950

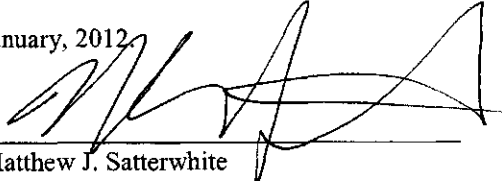
mjsatterwhite@aep.com

stnourse@aep.com

Counsel for Ohio Power Company

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing Ohio Power Company's Application for Rehearing has been served upon the below-named counsel and Attorney Examiners by electronic service and U.S. Mail this 13th day of January, 2012



Matthew J. Satterwhite

William L. Wright, Section Chief
Thomas McNamee
Werner L. Margard III
Stephen A. Reilly
Public Utilities Commission of Ohio
180 East Broad Street, 6th Floor
Columbus, OH 43215-3793
William.wright@puc.state.oh.us
Thomas.mcnamee@puc.state.oh.us
werner.margard@puc.state.oh.us
stephen.reilly@puc.state.oh.us

614-466-4397
614-466-4397
614-466-4395
614-466-4397

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

614-719-2840
614.719.5957
614.719.2855

Counsel for Industry Energy Users-Ohio

David F. Boehm
Michael L. Kurtz
Boehm, Kurtz & Lowry
36 East Seventh Street, Suite 1510
Cincinnati, Ohio 45202
dboehm@bkllawfirm.com
mikurtz@BKLLawfirm.com

513-421-2255
513-421-2255

Counsel for Ohio Energy Group

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

614.227.4854
614.227-2300

Counsel for
OMA Energy Group

James F. Lang
Laura C. McBride
N. Trevor Alexander
Calfee, Halter & Griswold LLP
1400 KeyBank Center
800 Superior Avenue
Cleveland, OH 44114
JLang@Calfee.com
LMcBride@Calfee.com
tallexander@calfee.com

216.622.8563
216.622.8528
614.621.7774

Counsel for FirstEnergy Solutions Corp.

Maureen R. Grady
Larry Sauer
Ohio Consumers' Counsel
10 W. Broad Street Suite 1800
Columbus OH 43215
grady@occ.state.oh.us
sauer@occ.state.oh.us

614-466-8574
614-466-1312

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

614-221-7614

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

614.227-2335

Counsel for Ohio Hospital Association

Colleen L. Mooney
Ohio Partners for Affordable Energy
231 West Lima Street
Findlay, OH 45840
cmooney2@columbus.rr.com

419-425-8860

Counsel for Ohio Partners for Affordable Energy

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

614-461-0984

Mark A. Hayden
FirstEnergy Service Company
76 South Main Street
Akron, OH 44308
haydenm@firstenergycorp.com (330) 761-7735

John W. Bentine
Mark S. Yurick
Zachary D. Kravitz
Chester Willcox & Saxbe, LLP
65 East State Street, Suite 1000
Columbus, OH 43215
jbentine@cwslaw.com 614-334-6121
myurick@cwslaw.com 614-334-7197
zkravitz@cwslaw.com 614-334-6117

Counsel for The Kroger Co.

Benita Kahn
Lija Kaleps-Clark
Vorys, Sater, Seymour and Pease LLP
52 East Gay Street
P O Box 1008
Columbus, OH 43216-1008
bakahn@vorys.com 614-464-6487
lkalepsclark@vorys.com

Counsel for Ohio Cable Television Association

John Davidson Thomas
Hogan Lovells US LLP
Columbia Square
555 Thirteenth Street, NW
Washington DC 20004
Dave.Thomas@hoganlovells.com
202-637-5675

Counsel for Ohio Cable Television Association

Christopher J. Allwein
Williams, Allwein and Moser, LLC
1373 Grandview Ave., Suite 212
Columbus, OH 43212
callwein@wamenergylaw.com
614-429-3092

Counsel for Natural Resources Defense Council

Barth E. Royer
Bell & Royer Co., LPA
33 South Grant Avenue
Columbus, OH 43215-3927
barthroyer@aol.com (614) 228-0704

Counsel for The Ohio Department of Development

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 202-408-3957
emma.hand@snrdenton.com 202-408-7094
keith.nusbaum@snrdenton.com

Counsel for Ormet Primary Aluminum Corporation

Michael R. Smalz
Joseph V. Maskovyak
Ohio Poverty Law Center
555 Buttles Avenue
Columbus, OH 43215
msmalz@ohiopoveritylaw.org 614-824-2502
jmaskovyak@ohiopoveritylaw.org 614/221-7201 x105

Counsel for The Appalachian Peace and Justice
Network