

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ohio)
Power Company to Adjust Its Economic) Case No. 14-1329-EL-RDR
Development Rider Rate.)

FINDING AND ORDER

The Commission finds:

- (1) Ohio Power Company d/b/a AEP Ohio (AEP Ohio or the Company) is a public utility as defined in R.C. 4905.02 and an electric utility as defined in R.C. 4928.01(A)(11), and, as such, is subject to the jurisdiction of this Commission.
- (2) On August 1, 2014, AEP Ohio filed an application to adjust its economic development rider (EDR) rate. AEP Ohio states that, in Case No. 11-346-EL-SSO, et al., the Commission approved the EDR, which is to be adjusted periodically to recover economic development amounts authorized by the Commission. *In re Columbus Southern Power Company and Ohio Power Company*, Case No. 11-346-EL-SSO, et al., Opinion and Order (Aug. 8, 2012) at 66-67. In AEP Ohio's prior EDR rate adjustment case, the EDR rate was set at 10.89905 percent of base distribution rates. *In re Ohio Power Company*, Case No. 14-193-EL-RDR, Finding and Order (Mar. 26, 2014). In the application in the present case, AEP Ohio proposes to increase the EDR rate to 11.44664 percent to be effective with the first billing cycle in October 2014.
- (3) In support of its application, AEP Ohio explains that the proposed EDR rate is based on estimated cost under-recoveries as evidenced by the projected 2014 delta revenues, as well as on the actual and projected delta revenues associated with the Company's reasonable arrangements with Ormet Primary Aluminum Corporation (Ormet), Eramet Marietta, Inc. (Eramet), Globe Metallurgical, Inc. (Globe), and The Timken Company. Further, AEP Ohio notes that, in calculating the proposed EDR rate, the Company has included only the Ormet

deferrals previously authorized by the Commission for recovery through the EDR.

- (4) AEP Ohio states that its calculation of the proposed EDR rate, as in prior EDR applications, utilizes a levelized rate approach previously approved by the Commission, including the accrual of a carrying cost at the weighted average cost of the Company's long-term debt on the under-recovery caused by the levelized EDR rate. AEP Ohio adds that, if it determines during the EDR rate period that the EDR collections are or will be substantially different than anticipated or that the unrecovered costs based on delta revenues are or will be substantially different than anticipated, the Company will file an application to modify the EDR rate for the remainder of the rate period. AEP Ohio notes that it will continue to track the delta revenues and the EDR collections in order to reconcile any difference through subsequent EDR rate adjustments.
- (5) Additionally, AEP Ohio notes that, consistent with the Commission's prior approval of a modified treatment of carrying costs, the Company has used an approach that collects the cumulative carrying charge balance each month, while the remaining revenue is applied to the regulatory asset.
- (6) Finally, AEP Ohio explains that its proposed EDR rate is just and reasonable and that a hearing is not necessary. AEP Ohio requests that, at the conclusion of the 20-day comment period prescribed by Ohio Adm.Code 4901:1-38-08(C), the Commission approve the application in time for the new EDR rate to take effect with the first billing cycle of October 2014.
- (7) Along with its application, AEP Ohio filed a motion for protective treatment of customer-specific information filed in certain schedules under seal on behalf of Eramet, Globe, and The Timken Company, in accordance with Ohio Adm.Code 4901-1-24. According to AEP Ohio, Ormet does not believe there is any need to redact the customer load information or to seek protective treatment for the information in the Company's schedules. While AEP Ohio

takes no position as to the confidential and proprietary nature of the information under Ohio law, the Company notes that it filed the motion to permit its customers a timely opportunity to seek protective treatment.

- (8) On August 5, 2014, and August 12, 2014, Globe and Eramet, respectively, filed motions to intervene and motions for a protective order. The Timken Company and TimkenSteel Corporation (jointly, Timken) also filed a motion for intervention and a motion for a protective order on August 20, 2014. In their respective motions to intervene, Globe, Eramet, and Timken state that they are each served by AEP Ohio pursuant to a Commission-approved reasonable arrangement, and each also notes that its customer-specific information is part of the Company's EDR application. Globe, Eramet, and Timken assert that they may be affected by AEP Ohio's proposed adjustment to its EDR rate and, as such, each claims a direct, real, and substantial interest in this case that cannot be adequately represented by any other party to the proceeding. For these reasons, Globe, Eramet, and Timken request that the Commission grant their respective motions for intervention. No memoranda contra the motions to intervene of Globe, Eramet, and Timken were filed.
- (9) In their motions for protective treatment, Globe, Eramet, and Timken state that AEP Ohio's EDR application includes certain customer-specific information related to electric usage and pricing that is confidential, sensitive, and proprietary trade secret information, as defined in R.C. 1333.61(D), and, as recognized by Ohio Adm.Code 4901-1-24(A)(7). According to Globe, Eramet, and Timken, if the customer-specific information is released to the public, it would compromise their business position and ability to compete, as well as disclose physical limits and the nature of the manufacturing process. Globe, Eramet, and Timken assert that non-disclosure of the customer-specific information is not inconsistent with the purposes of R.C. Title 49. No memoranda contra the motions for protective treatment were filed.

- (10) The Commission finds that Globe, Eramet, and Timken have set forth reasonable grounds for intervention and, therefore, their respective motions to intervene should be granted. With respect to the pending motions for protective orders, we note that the Commission has previously granted protective treatment for the same customer usage and pricing information that is the subject of the pending motions. *In re Ohio Power Company*, Case No. 14-193-EL-RDR, Finding and Order (Mar. 26, 2014) at 5. The Commission again finds that the motions for protective treatment filed by AEP Ohio, Globe, Eramet, and Timken are reasonable and should be granted. Pursuant to Ohio Adm.Code 4901-1-24(F), this protective order shall expire 24 months after the issuance of this Finding and Order, unless an appropriate motion seeking to continue protective treatment is filed at least 45 days in advance of the expiration date.
- (11) On September 5, 2014, Staff filed its review and recommendations regarding AEP Ohio's application to adjust its EDR rate. After reviewing AEP Ohio's application and supporting schedules, Staff recommends that the Commission approve the proposed EDR rate of 11.44664 percent.
- (12) Under Ohio Adm.Code 4901:1-38-08(A)(5), the Commission requires that an electric utility's EDR rate be updated and reconciled semiannually. Ohio Adm.Code 4901:1-38-08(C) permits affected persons to file a motion to intervene, as well as comments and objections to the electric utility's application, within 20 days of the date on which the application is filed. Additionally, the Commission has previously directed AEP Ohio to file an application to adjust its EDR rate to allow the Commission sufficient time to review the filing and perform due diligence with regard to the application in order to facilitate implementation of the adjusted EDR rate with the first billing cycle of April and October. *In re Columbus Southern Power Company and Ohio Power Company*, Case No. 09-1095-EL-RDR, Finding and Order (Jan. 7, 2010) at 12.

- (13) Upon review of AEP Ohio's application to adjust its EDR rate and Staff's recommendations, the Commission finds that the application does not appear to be unjust or unreasonable and that it should be approved. Therefore, the Commission finds that it is unnecessary to hold a hearing in this matter.

The Commission further finds that AEP Ohio's proposed EDR rate of 11.44664 percent is reasonable. We also find, consistent with our rulings on prior EDR applications, that the levelized approach proposed by AEP Ohio for the collection of EDR costs is a just and reasonable means of collection, as it will operate to avoid the extreme swings in EDR costs linked to the structure of reasonable arrangements. We find it reasonable for AEP Ohio to accrue a carrying cost on the under-recovery of delta revenues due to the levelized rate and, to the extent that there is an over-recovery of delta revenues, customers shall be afforded symmetrical treatment. Therefore, if an over-recovery of delta revenues occurs, AEP Ohio shall credit customers with the value of the equivalent carrying cost, calculated according to the weighted average cost of long-term debt.

Accordingly, the Commission authorizes AEP Ohio to implement an adjusted EDR rate of 11.44664 percent to be effective with bills rendered in the first billing cycle of October 2014.

It is, therefore,

ORDERED, That the motions for intervention filed by Globe, Eramet, and Timken be granted. It is, further,


ORDERED, That the motions for protective treatment filed by AEP Ohio, Globe, Eramet, and Timken be granted. It is, further,

ORDERED, That AEP Ohio's application to adjust its EDR rate be approved. It is, further,

ORDERED, That AEP Ohio be authorized to implement its adjusted EDR rate of 11.44664 percent effective with bills rendered for the first billing cycle of October 2014. It is, further,

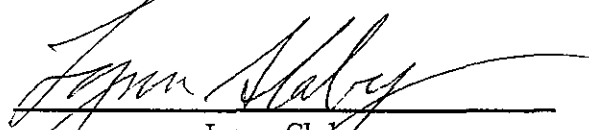
ORDERED, That a copy of this Finding and Order be served upon all parties and interested persons of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO


Thomas W. Johnson, Chairman

Steven D. Lesser


M. Beth Trombold


Lynn Slaby


Asim Z. Haque

SJP/sc

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Barcy F. McNeal
Secretary