



**MINUTES OF THE
TWO HUNDRED NINETIETH MEETING
OF THE OHIO CONSUMERS' COUNSEL GOVERNING BOARD
November 15, 2011**

Members Present: Sally Hughes
Gene Krebs
John Moliterno
Michael Watkins
Roger Wise
Fred Yoder

Members Absent: Harold Cassell
Joe Logan
Anthony Peto

Guests: Michael Schuler, Attorney General's Office

CALL TO ORDER

Chairman Moliterno called the meeting to order at 9:10 a.m.

ELECTION OF A VICE CHAIRMAN

Mr. Wise made a motion to elect Gene Krebs Vice Chairman of the Governing Board. Mr. Watkins seconded the motion and Mrs. Knight called the roll. The motion passed unanimously.

The Governing Board approved the 2012 meeting schedule.

APPROVAL OF THE MINUTES

The minutes from the September 21, 2011 and October 26, 2011 meeting were approved.

INTERIM CONSUMERS' COUNSEL REPORT

Mr. Weston reported that the bar results were posted this morning and former OCC legal interns taking the bar did pass. He noted that the legal interns provided a valuable service to this office and that we wish them well in their future endeavors.

Mr. Weston advised that OCC joined in the settlement of the Duke electric security plan case. He stated that negotiating the settlement of cases requires tremendous efforts from OCC staff and he thanked the entire team in the Duke case. Parties to the settlement include: PUCO staff, utility and interested stakeholders, industrial customers and low-income advocates.

Mr. Weston noted that the PUCO's legal director of many years, Paul Duffy. He retired after a distinguished career in public service.

CASE OUTCOMES

Mr. Weston reported on case outcomes for this period.

AEP ESP Remand from Supreme Court, PUCO Case Nos. 08-917 and 918-EL-SSO

OCC recommended that environmental carrying costs should be disallowed. AEP should reduce base generation rates by eliminating carrying charges to AEP customers for past environmental investments. Also, AEP failed to prove it incurred any actual costs as a result of providing backup power for shopping customers.

In remanding the AEP electric security plan to the PUCO for reconsideration, the Ohio Supreme Court ruled that AEP failed to prove that its POLR charges were cost based and ordered the Commission to determine whether non cost based POLR charges were reasonable and lawful. The PUCO found that AEP had failed to demonstrate either.

The PUCO directed AEP to refund POLR charges collected subject to refund since June 2011. The over collected charges would first be applied to deferred AEP fuel adjustment costs subject to future collection. Any remaining balance would be credited to customers on a per kilowatt hour basis beginning November 2011. The refunds to customers total about \$78 million. A discussion by Board members ensued, regarding the situation that consumers will not be given refunds of charges collected from them while the appeal was pending, even though the Court reversed the PUCO's decision. Board members expressed concern about this situation and encouraged OCC to seek a solution.

Northeast/Orwell Natural Gas, PUCO Case Nos. 10-209-GA-GCR, 10-212-GA-GCR, 10-309-GA-UEx, 10-312-GA-UEx

OCC witness, Greg Slone, filed testimony that supported the Staff's findings that Orwell and Northeast abused their contracts with affiliates. Settlement talks between PUCO Staff, OCC and the Companies have resulted in a stipulation signed by all parties. The settlement provided that Orwell would refund, without interest, \$964,410 to customers over a 24-month period, for over-collected amounts, and Northeast would collect \$1,100,635 from customers with an annual 10% interest rate over a 24-month, for under-collected costs.

The Commission modified the agreement of the parties, ordering Orwell to refund over-collected amounts, with 10% interest, to customers over a 12-month period instead of 24 months.

NEW CASES

Dr. Adams presented on new cases for this period.

Ohio American Water Rate Case, PUCO Case No. 11-4161-WS-AIR

Ohio American Water filed its Application for a rate increase August 1, 2011. According to the Company the requested rate increases are driven by \$27 million in upgrades and improvements

to water and wastewater infrastructure. OAW claims that it has been able to hold operations and maintenance expense stable since its late rate increase filing.

Aqua Ohio Purchase of OAW Joint Application, Case No. 11-5102-WS-ATR

On September 13, 2011, Ohio American Water and Aqua Ohio filed a Joint Application to approve the purchase of the common stock of OAW by Aqua Ohio. Under the agreement Aqua will purchase 100% of the outstanding Ohio American capital stock from American Water Works Service Company (AWWC). This transaction is estimated to cost \$225,000.

AEP Distribution Rate Increase, Case No. 11-351-EL-AIR

On September 15, 2011 the PUCO issued its Staff Report on the request of the AEP utilities to increase distribution rates. AEP is seeking a distribution revenue increase of \$34.2 million for Columbus Southern Power; and \$59.6 million for Ohio Power.

AEP 2010 Significantly Excessive Earnings Test (SEET), Case No. 11-4571-EL-UNC

On July 29, 2011, AEP filed an application and supporting testimony for the administration of this SEET for the 2010 earnings. According to AEP's calculations, CSP's earning return on equity for 2010 was 17.5% and OP's return on equity was 9.9%.

AEP claims the returns were not significantly excessive when compared to: a 22.6% return for companies with comparable risk, and an 18.4% threshold return calculated in a manner similar to the PUCO's calculation of a threshold return for 2009.

LEGISLATIVE REPORT

Mrs. Kurt presented on legislative activities. The House and Senate Public Utilities Committees are holding hearings on energy policy. These hearings are for educational purposes. OCC is scheduled to present testimony on November 30, 2011.

The House introduced HB 364; the Senate companion bill is SB 248. These bills enable utility securitization. Securitization is a financing tool designed to reduce carrying costs. OCC has two major concerns regarding securitization: customers may see some savings but may not be receiving the least cost option; and, a transparent process is needed for reviewing securitization requests that includes a public hearing and the advice of an independent financial advisor.

Water Legislation (Aqua) would allow companies to increase customer bills through riders on top of customers' rates, rather than by filing a rate case.

OPERATIONS REPORT

Mr. Repuzynsky reported that total expenditures including outstanding encumbrances for the first four months of the fiscal year (through October) were about \$1,787,000 or 31% of our total annual budget of \$5,641,093.

Recent resignations include the Consumers' Counsel, a senior energy policy analyst, a senior regulatory analyst and a network administrator. The application process for the Consumers'

Counsel position was initiated on November 10. The remaining positions are being addressed as part of our review of our operations going forward. We are continuing to address the legal intern position.

COMMUNICATIONS REPORT

Ms. Gianforaro presented the Communications Report to the Board. Over the last two months, OCC prepared 9 news releases; 2 media advisories, 1 consumer alert, 51 fact sheets, and 1 newsletter (available on our website).

During September and October, Outreach and Education gave 17 speeches; 2 train the trainer events; 14 shows and fairs; 7 site visits; 16 regional meetings; 1,440 educational materials mailed; and 2,263 low-income letters mailed.

OCC's website had 11,342 visitors in September and October.

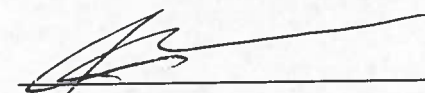
The Board recessed at 10:40 a.m. and reconvened at 11:05 a.m. It was noted that a state ethics training was available for OCC staff and Board members, beginning at noon.

Mrs. Hughes left the meeting at 10:55 a.m.

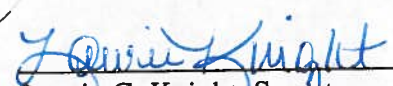
The hiring sub-committee will meet on December 12, 2011, to review the applications received for the Consumers' Counsel position. A brief discussion took place regarding the hiring process.

With no further business the meeting adjourned at 11:15 a.m.

I verify that the above meeting minutes have been approved and ratified by the OCC Governing Board on this 17th day of January, 2012



John N. Moliterno, Chairman
Ohio Consumers' Counsel Governing Board



Laurie C. Knight, Secretary
Ohio Consumers' Counsel Governing Board