

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

American Electric Power Service Corporation    )   Docket No. ER11-2183-000  
PJM Interconnection, L.L.C.                            )

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**COMMENTS  
SUBMITTED ON BEHALF OF  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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**INTRODUCTION AND BACKGROUND**

On November 24, 2010, American Electric Power Service Corporation (“AEPSC”) on behalf of Columbus Southern Power Company (“CSPCo”) and Ohio Power Company (“OPCo”) (collectively, the AEP Ohio Companies) filed proposed formula rate templates under which each of the AEP Ohio Companies would calculate its respective capacity costs under Section D.8 of Schedule 8.1 of the Reliability Assurance Agreement (RAA). The Ohio-only filing reflects that the revised capacity charges will be billed to competitive retail electric service (“CRES”) providers operating in the State of Ohio.

On November 26, 2010, the Federal Energy Regulatory Commission (FERC) issued its Combined Notice of Filings #1 inviting comments concerning

AEPSC's application by December 10, 2010. The Public Utilities Commission of Ohio (Ohio Commission) hereby submits its comments responding to AEPSC's application and FERC's invitation for public input in the above-captioned proceeding.

## **DISCUSSION**

On December 8, 2010, the Ohio Commission issued an entry (attached) in Case No. 10-2929-EL-UNC inviting comments from interested persons concerning the AEP Ohio Companies' capacity charges to Ohio's CRES providers. The Ohio Commission's entry notes that currently the PUCO-approved rates for the AEP Ohio Companies include recovery of capacity costs through provider-of-last-resort charges to certain retail shopping customers.<sup>1</sup> These rates are based on the continuation of the current FRR mechanism and the continued use of PJM's reliability pricing model's three-year auction results. The AEP Ohio Companies' filing for formula rates could impact this current mechanism. Consequently, the Ohio

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<sup>1</sup> PUCO Case No. 08-917-EL-SSO, In the Matter of the Application of the Columbus Southern Power Company for Approval of its Electric Security Plan; an Amendment to its Corporate Separation Plan; and the Sale or Transfer of Certain Generating Assets; and PUCO Case No. 08-918-EL-SSO, In the Matter of the Application of Ohio Power Company for Approval of its Electric Security Plan; and an Amendment to its Corporate Separation Plan. See also, In the Matter of the Columbus Southern Power Company and the Ohio Power Company, Case No. 05-1194-EL-UNC.

Commission's investigation invites comments from interested persons concerning the following issues: (1) what changes to the current Ohio Commission mechanism are appropriate to determine the AEP Ohio Companies' Fixed Resource Requirement (FRR) capacity charges to the State of Ohio's CRES providers; (2) the degree to which the AEP Ohio Companies' capacity charges are currently being recovered through retail rates approved by the Ohio Commission or other capacity charges; and (3) the impact the AEP Ohio Companies' capacity charges will have on CRES providers and retail competition in the State of Ohio. Although the state compensation mechanism has implicitly been in place since the inception of AEP-Ohio's current Standard Service Offer,<sup>2</sup> the Ohio Commission expressly adopted as its state compensation mechanism the AEP Ohio Companies' charges established by the reliability pricing model's three-year capacity auction conducted by PJM. Currently, the 2010/2011 clearing price is equal to \$174.29 per MW-day.<sup>3</sup>

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<sup>2</sup> *Supra* n.1.

3. The 2010/2011 rate equals \$208.20 per MW-day including adders for transmission losses (3.4126%), the scaling factor (1.06633), and the pool requirement (1.0833). The 2010/2011 rate is effective through May 31, 2011. The 2011/2012 rate, which becomes effective on June 1, 2011, is equal to \$110.00 per MW-day (without the adders).

Consistent with Section D.8 of Schedule 8.1 of the RAA, which dictates that state imposed compensation mechanisms prevail in those instances where the state jurisdiction requires the load serving entity (LSE) (or switching customers) to compensate the FRR entity,<sup>4</sup> the Ohio Commission maintains that there is no current need for FERC to advance its proceeding regarding this matter because the Ohio Commission has a rate for capacity charges to CRES providers. Consequently, the Ohio Commission respectfully requests that FERC dismiss the application and close this investigation, or, in the alternative, suspend its final decision in this proceeding until the Ohio Commission has concluded its state proceeding. If FERC elects to hold the case in abeyance, the Ohio Commission will inform FERC, in the above-captioned proceeding, as to the outcome of its investigation.

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<sup>4</sup>

Schedule 8.1 reads as follows: "In a state regulatory jurisdiction that has implemented retail choice, the FRR Entity must include in its FRR Capacity Plan all load, including expected load growth, in the FRR Service Area, notwithstanding the loss of any such load to or among alternative retail LSEs. In the case of load reflected in the FRR Capacity Plan that switches to an alternative retail LSE, where the state regulatory jurisdiction requires switching customers or the LSE to compensate the FRR Entity for its FRR capacity obligations, such state compensation mechanism will prevail. In the absence of a state compensation mechanism, the applicable alternative retail LSE shall compensate the FRR Entity at the capacity price in the unconstrained portions of the PJM Region, as determined in accordance with Attachment DD to the PJM Tariff, provided that the FRR Entity may, at any time, make a filing with FERC under Sections 205 of the Federal Power Act proposing to change the basis for compensation to a method based on the FRR Entity's cost or such other basis shown to be just and reasonable, and a retail LSE may at any time exercise its rights under Section 206 of the FPA."

## CONCLUSION

The Ohio Commission thanks FERC for the opportunity to provide its  
Comments in this proceeding.

Respectfully submitted,

/s/ Thomas W. McNamee

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**On behalf of**  
The Public Utilities Commission of Ohio

## CERTIFICATE OF SERVICE

I hereby certify that the foregoing have been served in accordance with 18  
C.F.R. Sec. 385.2010 upon each person designated on the official service list  
compiled by the Secretary in this proceeding.

/s/ Thomas W. McNamee

**Thomas W. McNamee**

Dated at Columbus, Ohio this December 10, 2010.

## BEFORE

## THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Commission Review of )  
 the Capacity Charges of Ohio Power ) Case No. 10-2929-EL-UNC  
 Company and Columbus Southern Power )  
 Company. )

ENTRY

The Commission finds:

- (1) Ohio Power Company and Columbus Southern Power Company (AEP-Ohio or the Companies) are electric light companies as defined in Section 4905.03(A)(3), Revised Code, and public utilities as defined in Section 4905.02, Revised Code. As such, the Companies are subject to the jurisdiction of the Commission in accordance with Sections 4905.04 and 4905.05, Revised Code.
- (2) Sections 4905.04, 4905.05, and 4905.06, Revised Code, grant the Commission authority to supervise and regulate all public utilities within its jurisdiction.
- (3) On November 1, 2010, AEP Electric Power Service Corporation, on behalf of AEP-Ohio, filed an application with the Federal Energy Regulatory Commission (FERC) in FERC Docket No. ER11-1995. At the direction of FERC, AEP refiled its application in FERC Docket No. ER11-2183 on November 24, 2010. The application proposes to change the basis for compensation for capacity costs to a cost-based mechanism and includes proposed formula rate templates under which the Companies would calculate their respective capacity costs under Section D.8 of Schedule 8.1 of the Reliability Assurance Agreement.
- (4) Prior to the filing of this application, the Commission approved retail rates for the Companies, including recovery of capacity costs through provider-of-last-

resort charges to certain retail shopping customers, based upon the continuation of the current capacity charges established by the three-year capacity auction conducted by PJM, Inc., under the current fixed resource requirement (FRR) mechanism. *In re Columbus Southern Power Company*, Case No. 08-917-EL-SSO; *In re Ohio Power Company*, Case No. 08-917-EL-SSO. See also, *In re Columbus Southern Power Company and Ohio Power Company*, Case Nos. 05-1194-EL-UNC et al. However, in light of the change proposed by the Companies, the Commission will now expressly adopt as the state compensation mechanism for the Companies the current capacity charges established by the three-year capacity auction conducted by PJM, Inc. during the pendency of this review.

- (5) Further, the Commission finds that a review is necessary in order to determine the impact of the proposed change to AEP-Ohio's capacity charges. As an initial step, the Commission seeks public comment regarding the following issues: (1) what changes to the current state mechanism are appropriate to determine the Companies' FRR capacity charges to Ohio competitive retail electric service (CRES) providers; (2) the degree to which AEP-Ohio's capacity charges are currently being recovered through retail rates approved by the Commission or other capacity charges; and (3) the impact of AEP-Ohio's capacity charges upon CRES providers and retail competition in Ohio.
- (6) All interested stakeholders are invited to submit written comments in this proceeding within 30 days of the issuance of this entry and to submit reply comments within 45 days of the issuance of this entry.

It is, therefore,


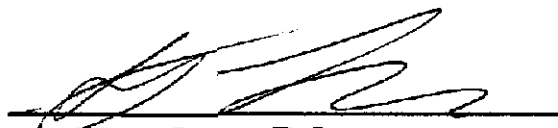

ORDERED, That written comments be filed within 30 days after the issuance of this order and that reply comments be filed within 45 days of the issuance of this entry. It is, further,

10-2929-EL-UNC

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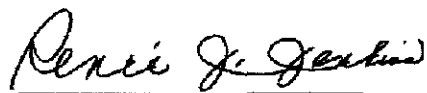
ORDERED, That a copy of this entry be served on AEP-Ohio and all parties of record in the Companies' most recent standard service offer proceedings, Case Nos. 08-917-EL-SSO and 08-918-EL-SSO.

## THE PUBLIC UTILITIES COMMISSION OF OHIO

  
Alan R. Schriber, Chairman  
Paul A. Centolella  
Steven D. Lesser  
Valerie A. Lemmie  
Cheryl L. Roberto

GAP/sc

Entered in the Journal  
JUL 08 2010



Renee J. Jenkins  
Secretary

Submission ID 273087

Submission Description Comments submitted on behalf of Public Utilities Commission of Ohio under ER11-2183-000.

Submission Date 12/10/2010 8:52:33 AM

Filed Date 12/10/2010 8:52:33 AM

Current Status Pending

Dockets	Docket	Description
	ER11-2183-000	PJM Interconnection, L.L.C. submits tariff filing per 35.13(a)(2) (iii): AEP submits Rate Schedules for CSPCo and OPCo under PJM RAA Sched 8.1 Appendix submitted on 11/24/2010 12:21:07 PM

Files	Security Level	Filename
	Public	Comments 121010.pdf

Filing Party/Contacts	Filing Party	Signer (Representative)	Other Contacts (Principal)
	Public Utilities Commission of Ohio	thomas.mcnamee@puc.state.oh.us	daniel.shields@puc.state.oh.us

**This foregoing document was electronically filed with the Public Utilities**

**Commission of Ohio Docketing Information System on**

**12/10/2010 9:02:42 AM**

**in**

**Case No(s). 93-7000-EL-FAD**

Summary: Comments submitted on behalf of the Public Utilities Commission of Ohio to the FERC on December 10, 2010 by Thomas McNamee to be filed in Docket No. ER11-2181-000 electronically filed by Kimberly L Keeton on behalf of Public Utilities Commission of Ohio