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DATE: March 14, 2011

Total number of pages including cover: 7
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MESSAGE: PLEASE FILE THE FOLLOWING:

Case No. 10-1454-EL-RDR
Case Caption:
Document to be filed: COMMENTS OF WAL-MART STORES EAST, LP AND SAM'S EAST, INC.

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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ohio Power Company for Approval of the Shutdown of Unit 5 of the Philip Sporn Generating Station and to Establish a Plant Shutdown Rider.	)	**Case No. 10-1454-EL-RDR**

COMMENTS OF WAL-MART STORES EAST, LP AND SAM'S EAST, INC.

Now comes Wal-Mart Stores East, LP and Sam's East, Inc. (collectively, "Walmart"), by its attorneys, respectfully comments in response to the March 9, 2010 Entry in the above-captioned proceeding requesting comments on Ohio Power's ("OPCo" or "the Company") application to close Unit 5 of the Philip Sporn Generating Station ("Sporn 5") and to establish a non-bypassable Plant Closure Cost Recovery ("PCCR") rider to collect closure costs during 2011.

INTRODUCTION

In this docket, OPCo is proposing to establish the PCCR as a non-bypassable rider to collect costs related to the closure of Sporn 5, including the unamortized plant balance remaining on OPCo's books and the materials and supplies on hand that are unique to Sporn 5. Additionally, OPCo proposes to collect future asset retirement obligations and any net salvage to be incurred.[1]

Walmart is a national retailer of goods and services throughout the United States. Walmart has offices at 2001 SE 10th Street, Bentonville AR 72716-0550. Walmart has the privilege of providing its retail services in the State of Ohio. Walmart has approximately 41

[1] *See* Application, page 4.

facilities that take electric service from OPCo. These facilities include Supercenters, Sam's Clubs, Discount Sores, and gas stations. Walmart is a large customer of OPCo, purchasing approximately 160 million kWh annually from the utility. It is from this viewpoint as a large customer of OPCo that Walmart submits the following comments.

I. THE PROPOSED PCCR RIDER SHOULD BE BYPASSABLE FOR CUSTOMERS WHO TAKE GENERATION SERVICE FROM COMPETITIVE SUPPLIERS

OPCo has proposed that the PCCR rider, which would collect costs associated with the closure of a utility generation asset, be non-bypassable.[2] That is, all customers, whether they take generation service from OPCo or from a competitive supplier, will pay the PCCR rider charge in their bills. This violates cost of service principles and misaligns cost causation and cost responsibility and results in inequitable rates as customers that take generation service from a competitive supplier would pay for utility generation costs – costs for which they receive no benefit.

Walmart advocates setting utility rates on the basis of the utility's cost to serve a particular customer or class of customer because it produces equitable rates that reflect cost causation to the utility, while also sending proper price signals and minimizing price distortions to customers. This is true whether dealing with a fully regulated, monopoly environment where utility customers have no choice as to their generation service supplier, or in a competitive environment like that in Ohio where utility customers have the option of taking power from a competitive supplier. The generation costs that an incumbent utility incurs in serving its own customers must be accurately allocated to those customers, and not to customers who take generation service from a competitive supplier.

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[1] *See* Application, page 4.

If the Commission determines a PCCR rider is appropriate, the Commission should reject OPCo's proposal that the PCCR be non-bypassable and determine that the PCCR rider be bypassable for customers who take generation service from a competitive supplier.

II. THE PROPOSED PCCR RIDER SHOULD BE BILLED TO DEMAND-METERED CUSTOMERS ON A DEMAND (PER KW) CHARGE.

OPCo has proposed that the closure costs in this docket be allocated based on percentage of base generation revenue basis. OPCo's proposes that its PCCR rider charge apply to all customers, and be calculated and charged on an energy, or per kWh, basis.[3] This is inappropriate. The costs that OPCo proposes to include in the PCCR revenue requirement are related to the fixed costs of the generating unit. Certain of OPCo's customers have demand meters and recovery of fixed demand costs are recovered using a demand billing determinant. As a result, OPCo's proposal to calculate PCCR rates and charge all customers, including demand-metered customers, on a volumetric energy, or per kWh basis, should be rejected and replaced with a system that includes billing demand metered customers on a demand (per kW) basis for the following reasons..

First, costs should be recovered in a manner which reflects how they are incurred, and recovering fixed costs through a volumetric energy charge violates this principle. Second, the shift of the collection of fixed costs from per kW demand charges to per kWh energy charges results in a shift in demand cost responsibility from lower load factor customers to higher load factor customers. This results in misallocation of cost responsibility as higher load factor customers overpay for the demand-related costs incurred by the Company to serve them.

If the Commission determines a PCCR rider is appropriate, the Commission should reject OPCo's rate design proposal for demand-metered customer classes and require the Company to

[3] *See* Application, Attachment 2 and Attachment 3, page 1.

calculate the rate for demand-metered customer classes based on the annual kW demand for each class.

III. THE COMMISSION SHOULD ADOPT OPCO'S OFFER TO MITIGATE THE RATE IMPACT OF THE PROPOSED PCCR RIDER BY AMORTIZING RECOVERY OF CLOSURE COSTS OVER A 36-MONTH PERIOD.

At paragraph 12 of the Application, OPCo offers the following alternative with regard to the timing of recovery:

> to the extent that the Commission determines that it would be appropriate to mitigate the rate impact of the proposed rider, OPCo would alternatively request that the Commission amortize recovery of the closure costs over a 36-month period beginning in the first billing cycle of January 2011 (rather than being recovered entirely in 2011), with carrying charges being included over an extended recovery period.

Noting that of course the start date would need to be modified to consist with the timing of this docket, Walmart prefers this alternative for the simple reason it somewhat tempers the customer rate impact that will inevitably result from grant of the Application.

Respectfully submitted,

WAL-MART STORES EAST, LP AND SAM'S EAST, INC.

By:____________________

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DATED: April 8, 2011

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served by mailing a true and correct copy via electronic mail (when available) or by first class U.S. Mail, to all parties on this 8th day of April, 2011.

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