

FILE



March 15, 2012

11-346-EL-SSO

Commissioners
Public Utilities Commission of Ohio
Docketing Division
180 East Broad Street, 13th Floor
Columbus, OH 43215-3793

**RE: American Electric Power Electric Security Plan;
PUCO Case No. 11-346-EL-SSO**

PUCO

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2012 MAR 16 PM 12:35

Dear Commissioners:

On behalf of Kraton Polymers U.S. LLC, I am writing to encourage the Public Utilities Commission of Ohio to end the disadvantage for electric consumers obtaining generation supply from a competitive supplier in the Columbus Southern zone of AEP-Ohio.

Your March 7, 2012, restoration of a capacity charge of \$255 per MW-day and application to transactions involving most shopping customers is the source of this disadvantage. But for this disadvantage, consumers would have access to suppliers offering electric prices at the lowest level in ten years. Instead of being able to reduce electric bills through Ohio's customer choice structure, the anticompetitive \$255 per MW-day capacity charge makes most consumers captive to AEP-Ohio, the supplier with the highest price.

In AEP-Ohio's rejected ESP, AEP-Ohio had proposed a two-tiered capacity pricing scheme. Although the ESP was rejected, the two-tiered capacity scheme was reinstated on March 7, 2012. AEP-Ohio's proposed \$255 per MW-day capacity charge should be compared with the current PJM Interconnection Reliability Pricing Model (RPM) price of \$16.46 per MW-day. This large discrepancy in price between AEP-Ohio and the open market is highly anticompetitive and highly disadvantageous to Kraton Polymers. This difference in capacity pricing has a >\$1,600,000 impact to Kraton's annual energy costs.

Since 2006, Kraton's electric costs have increased an average of 11% per year under AEP-Ohio tariff. This increase has caused the tariff rate to exceed the pricing available in the open PJM market. With the 2009 electric deregulation, Ohioans should not be restricted in accessing competitive electric pricing. We at Kraton have to compete for our Customers every day in every way. In addition, Kraton is competing in a global market, with intense cost pressures from overseas competition. Access to cost effective energy is critical to sustaining Kraton operations here in Belpre, Ohio. In addition, cost

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technician *[Signature]* Date Processed 03-16-12

effective and reliable energy is critical to continued investment in the Belpre Site, such as the recent multi-million dollar projects for Isoprene Rubber expansion and the Semiworks Research Facility. Finally, cost effective power is critical for a competitive Kraton business that employs >420 full-time Kraton employees and >100 full time Contractors.

In addition to Kraton's business, the best policy for the State of Ohio is to encourage a healthy and vibrant market for electric choice. So in summary, we at Kraton urge you to end the electric bill disadvantage for electric consumers obtaining generation supply from a competitive supplier in the Columbus Southern zone of AEP-Ohio.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark Gaddy', with a stylized, flowing script.

Mark Gaddy
Plant Manager

CC: Governor Kasich
President Neihaus
Speaker Batchelder
Commissioners Roberto, Lesser, Porter and Centolella
Representative Slaby (Commissioner Appointee)
Representative Phillips (92nd District)
Senator Balderson (20th District)