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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the Application of
Ohio Power Company for Approval of
Full Legal Corporate Separation and
Amendment to Its Corporation
Separation Plan.

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Case No. 12-1126-EL-UNC

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THE INITIAL COMMENTS OF THE KROGER COMPANY

On March 30, 2012, the Ohio Power Company ("OPC" or "AEP-Ohio") filed an application with the Public Utilities Commission of Ohio ("Commission") seeking approval for full legal corporate separation, an amendment to its corporate separation plan, and waivers related to the foregoing applications. Specifically, OPC seeks approval to separate OPC's generation assets from OPC's distribution and transmission assets. The generation assets will be moved to a new company, AEP Generation Resources, Inc. ("AEP Generation"), which is a subsidiary of the American Electric Power Company, Inc. ("AEP") and an affiliate of OPC. OPC's distribution and transmission assets will remain with OPC.

OPC's corporate separation plan, which the Kroger Company ("Kroger") generally supports, is interrelated with two open cases at the Commission: OPC's Electric Security Plan ("modified ESP II") in Case No. 11-346-EL-SSO and OPC's Capacity Charge case in Case No. 10-2929-EL-UNC. The Commission has not issued an order in the modified ESP II case at the time of this filing. In the Capacity Charge Case, which the Commission has set for rehearing, the Commission found that OPC's cost of capacity is \$188.88/MW-day. However, to encourage market participation, the

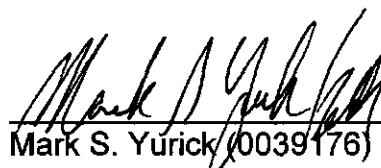
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Commission directed AEP-Ohio to charge CRES providers the PJM RPM rate, approximately \$20/MW-day. In order to offset the difference between the PJM RPM rate charged to CRES providers and the Commission determined cost of capacity for AEP-Ohio, the Commission approved a deferral of the difference between AEP-Ohio's incurred capacity costs and the amount charged to CRES providers (basically the RPM price) to be collected and accounted for as a regulatory asset to be recovered in the future through an undetermined Commission approved recovery mechanism.

Kroger requests that the Commission order that OPC be required to collect its deferred capacity shortfall costs solely through its generation company, AEP Generation, rather than allowing the distribution and transmission company, AEP-Ohio, to collect the deferred amount from distribution customers. Given that the modified ESP II case and the Capacity Charge case are ongoing, but the Commission has not determined how the regulatory asset permitted and approved in the Capacity Case would be collected in the future, the corporate separation case is the appropriate forum for the Commission to draw a distinct line separating the companies by allotting all generation related costs solely to the newly formed generation company. To the extent that the corporate separation plan signals a significant shift to market-based rates, AEP-Generation should recover the regulatory asset through a bypassable generation rider; otherwise AEP-Ohio's distribution customers will be forced to subsidize AEP's generation customers in connection with capacity costs – a result that conflicts with the fundamental purpose of this case.

For the foregoing reasons, Kroger respectfully requests the Commission find that the regulatory asset created in the Capacity Charge case be assigned to the accounting books of AEP-Generation and that the Commission find that the regulatory asset be recovered as a bypassable rider.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mark S. Yurick", is written over a horizontal line.

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing *The Initial Comments of The Kroger Company* was served this 27th day of July, 2012 upon the following via electronic mail and U.S. regular mail, postage prepaid.

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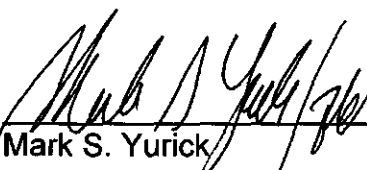
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