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Via E-file

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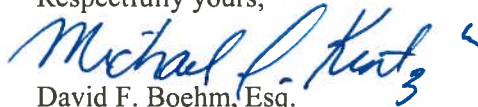
In re: Case No. 10-2929-EL-UNC

Dear Sir/Madam:

Please find attached the OHIO ENERGY GROUP'S MOTION FOR LEAVE TO REPLY AND REPLY for filing in the above-referenced matter.

Copies have been served on all parties on the attached certificate of service. Please place this document of file.

Respectfully yours,



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BOEHM, KURTZ & LOWRY

MLKkew
Encl.

Cc: ALJ Greta See, Esq. (via electronic mail)
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Chairman Todd A. Snitchler (via electronic mail)
Commissioner Cheryl Roberto (via electronic mail)
Commissioner Steven D. Lesser (via electronic mail)
Commissioner Andre T. Porter (via electronic mail)
Commissioner Lynn Slaby (via electronic mail)
Eric Weldele, PUCO Chief of Staff (via electronic mail)
Certificate of Service

**BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO**

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

**MOTION FOR LEAVE TO REPLY AND REPLY
BY THE OHIO ENERGY GROUP**

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In The Matter Of The Commission Review of the :
Capacity Charges of Ohio Power Company and : **Case No. 10-2929-EL-UNC**
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**MOTION FOR LEAVE TO REPLY AND REPLY
BY THE OHIO ENERGY GROUP**

Pursuant to Ohio Adm. Code 4901-1-12, the Ohio Energy Group (“OEG”) submits this Motion for Leave to Reply and Reply to the Memorandum Contra filed by Ohio Power Company (“AEP-Ohio”) on August 6, 2012.

AEP-Ohio argues that the state compensation mechanism established by the Public Utilities Commission of Ohio (“Commission”) in its July 2, 2012 Order (“Order”) is comprised of two components – a wholesale charge (current adjusted RPM prices) and a retail charge (the deferred difference between the \$188.88/MW-day wholesale cost-based rate and current RPM prices).¹ AEP-Ohio further alleges that “[i]t is fair for all customers to fund the \$189/RPM differential.”²

As OEG has already explained in detail, the Commission’s Order repeatedly describes the state compensation mechanism as a *cost-based wholesale* rate.³ That the entirety of the state compensation mechanism is not being collected immediately does not excuse CRES providers from paying for the capacity that they buy from AEP-Ohio to serve switched load. Regardless of whether the entire state compensation mechanism is collected during the FRR period or deferred, the CRES providers are the entities that bought the capacity and are the ones that should be held responsible for the costs.

¹ AEP-Ohio Memorandum Contra at 2.

² AEP-Ohio Memorandum Contra at 4.

³ See OEG Memorandum Contra Application for Rehearing by FirstEnergy Solutions Corp.

Even if, for purposes of argument, one accepts the new interpretation that the state compensation mechanism has a retail and a wholesale component, the plain language of the PJM Reliability Assurance Agreement (“RAA”) does not provide the Commission authority to force non-shopping retail customers to pay for any of the costs established under the state compensation mechanism. The language of the RAA explicitly limits the parties that can be held responsible for compensating AEP-Ohio under the state compensation mechanism. The RAA contemplates only two categories of entities that could be responsible for compensating AEP-Ohio for its FRR capacity obligations: 1) “switching customers,” aka shopping customers; *or* 2) “the LSE,” aka CRES providers. Section D.8 of Schedule 8.1 of the RAA provides that *“[i]n 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.”*⁴ The RAA does not provide the Commission authority to establish a state compensation mechanism that holds *non-shopping retail* customers responsible for compensating AEP-Ohio for its FRR capacity obligations.

The Commission must abide by the explicit terms of the PJM RAA in establishing the state compensation mechanism. OEG urges the Commission not to exceed its authority under the plain language of the PJM RAA by establishing an improper state compensation mechanism charge to non-shopping retail customers. For to do so would, as the PJM RAA recognizes, improperly charge non-shopping customers two times for capacity: once through their standard service offer rates and again through deferral repayments. Complying with the PJM RAA will give AEP-Ohio the same amount of compensation, but from the correct customer group.

⁴ Emphasis added.

CONCLUSION

WHEREFORE, under the explicit terms of the PJM RAA, the Commission should not charge any portion of the state compensation mechanism to non-shopping retail customers.

Respectfully submitted,

A handwritten signature in blue ink, reading "Michael L. Kurtz", is written over a horizontal line.

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CERTIFICATE OF SERVICE

I hereby certify that true copy of the foregoing was served by electronic mail (when available) or ordinary mail, unless otherwise noted, this 7th day of August, 2012 to the following:



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Summary: Motion Ohio Energy Group (OEG) Motion for Leave to Reply and Reply
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