

**BEFORE**

**THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Commissions' Review )	
of Customer Rate Impacts from Ohio Power )	Case No. 13-1530-EL-UNC
Company's Transition to Market-Based Rates. )	

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**REPLY COMMENTS OF  
THE RETAIL ENERGY SUPPLY ASSOCIATION**

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**I. Introduction**

The Public Utilities Commission of Ohio ("Commission") established this proceeding to explore ways to minimize the impact of the transition to market-based rates by Ohio Power Company ("AEP").<sup>1</sup> In that transition period, AEP will be implementing a competitive bidding process ("CBP") for the purpose of procuring "energy only" for its standard service offer ("SSO") during the remainder of the term of its second electric security plan, which ends May 31, 2015.<sup>2</sup> In this Rely Brief, the Retail Energy Supply Association ("RESA") responds to the few comments filed in this proceeding. Specifically, RESA responds to the following initial comments:

- More information is needed, especially a specific proposal from AEP as to how it will translate the auction results into its retail rates. (Commission Staff Initial Comments and Ohio Consumers' Counsel ("OCC") Initial Comments)

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<sup>1</sup> The Commission ordered the opening of this docket in *In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to Section 4928.143, Revised Code, in the Form of an Electric Security Plan*, Case Nos. 11-346-EL-SSO, et al., Opinion and Order at 15-16 (August 8, 2012).

<sup>2</sup> The Commission is currently evaluating the proposed terms and conditions of AEP's CBP. *In the Matter of the Application of Ohio Power Company to Establish a Competitive Bidding Process for Procurement of Energy to Support its Standard Service Offer*, Case No. 12-3254-EL-UNC.

- It is not possible to identify ways to mitigate adverse impacts because the extent and nature of those adverse rate impacts are unknown. (Industrial Energy Users – Ohio (“IEU”) Initial Comments)

## **II. An AEP-Specific Proposal for Incorporating the Auction Prices into Retail Rates is Needed**

Both this case and AEP’s CBP case<sup>3</sup> involve the auctions’ effect on AEP’s rates. The difficulty in this proceeding is that there is no specific proposal from AEP which describes how AEP will incorporate the closing auction price into its retail rates and there is nothing in the record to reflect which rates then may be adversely impacted. In addition, there also no decision yet on AEP’s CBP case which has some overlapping issues. For example, the parties in the CBP case have raised issues related to the base generation rates and the fuel adjustment clause during the term of the ESP. Rulings on those issues will affect AEP’s retail rates during the transition period. Taking these circumstances into consideration, RESA agrees with Staff and OCC that without further information, it is difficult to recommend or develop ways “to mitigate any potential adverse rate impacts for customers upon rates being set by auction,” which is the Commission’s ultimate goal for this proceeding. RESA supports the requests from the Staff and OCC that seek additional information/proposals from AEP, including a “description of the expected rate design for each class of customer (including CSP Winter Residential) for auction based market rates.”<sup>4</sup>

Additionally, RESA recommends that the Commission specifically require AEP to prepare rate charts<sup>5</sup> which reflect applying the allocation process used by Duke Energy Ohio in its single closing price SSO auction to AEP’s various class and service rates. Duke’s method

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<sup>3</sup> Case No. 12-3254-EL-UNC

<sup>4</sup> Staff Initial Comments at 2.

<sup>5</sup> The term “rate charts” as used in these comments refer to sample costs for the major rate classes and services using a variety of demand and kWh usages.

was the product of a unanimous stipulation, and Duke has conducted auctions without protest. RESA is not endorsing the Duke model per se at this time, only asking AEP to produce the rate charts so the parties can see if the Duke model produces an anomaly given the AEP rate structure which would harm a particular class or service category.

### **III. Cross-Subsidies Among Tariff Classes should be Eliminated during the Transition Period**

In the June 27, 2013 Entry calling for comments in this proceeding, parties were encouraged to address “cross-subsidies among tariff classes.” The time is now to eliminate the cross-subsidies, before the 100-percent auction occurs. The Commission should require AEP to identify the cross-subsidies, other than the four economic development cases upon which the Commission has specifically issued orders, and present one or more proposals to eliminate the cross-subsidies it identifies. AEP has stated that, in its CBP proposal, mitigation methods have been proposed.<sup>6</sup> However, none of AEP’s proposals address cross-subsidies among tariff classes or services. It is for this reason that RESA suggests that AEP be required to respond to the Commission’s request to identify and propose suggestions concerning cross-subsidies among tariff classes.

### **IV. AEP’s Twelve Percent Rate Cap Proposal will not Mitigate the Impact of the Rates Set by the Energy-Only Auctions**

AEP argues, as it did in the CBP case, that the Commission should expand and apply the cap established by the Commission in the ESP case<sup>7</sup> so that costs above a 12 percent increase threshold would be deferred and collected later from all customers, along with carrying charges.

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<sup>6</sup> AEP contends that its CBP proposal contains three components that will mitigate the impact of the rates set by the energy-only auctions: (1) the drop in base generation rates in 2015 will alleviate any above-Fuel Adjustment Clause auction clearing prices; (2) the separate rate zones between Ohio Power and Columbus Southern divisions will be maintained and avoid adjustments between the different divisions; and (3) apply the previously approved 12 percent rate cap to CBP costs so that costs above a 12 percent increase threshold would be deferred and collected later from all customers, along with carrying charges.

<sup>7</sup> *Columbus Southern, supra*, Opinion and Order at 70; Entry on Rehearing at 39-40.

This mitigation recommendation should not be accepted. Earlier this year, the Commission specifically limited the application of the 12 percent rate cap to items established only in the ESP proceeding, which excludes the CBP costs.<sup>8</sup> This expansion proposal defers any costs above the 12 percent for another day; it does not really mitigate any retail customer expense, especially since carrying costs are to be applied. If this expansion proposal were adopted, customers would pay the deferred amounts, and do so during the post-ESP period when only full market rates should be in effect. AEP also proposes to apply those deferred amounts to *all* customer rates, in which case non-SSO customers would experience a rate increase. Moreover, this proposal directly conflicts with the Commission's earlier statement in the ESP proceeding that it will not interfere with the competitive market.<sup>9</sup> AEP's proposal to expand the 12 percent rate cap should not be adopted as it will not appropriately mitigate any potential adverse rate impacts.

## **VI. Conclusion**

Additional information and proposals are required for the Commission to truly consider ways to mitigate any potential adverse rate impacts for customers upon rates being set by auction.” Meaningful contributions from interested, knowledgeable parties can then be provided. The Commission should direct AEP to provide the additional information listed in the Initial Comments filed by Staff and OCC. Additionally, with regard to the specific topics mentioned in the initial entry in this proceeding, the Commission should direct AEP to (a) identify the cross-subsidies among tariff classes; (b) present one or more proposals to eliminate the cross-subsidies; and (c) provide potential impacts of the transition on its high-winter-usage customers, assuming three or four scenarios (not including AEP's proposed 12 percent rate cap).

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<sup>8</sup> *Id.*, Entry on Rehearing at 40.

<sup>9</sup> *Id.*, Entry on Rehearing at 35.

Respectfully submitted,



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M. Howard Petricoff, Counsel of Record

Gretchen L. Petrucci

Vorys, Sater, Seymour and Pease LLP

52 E. Gay Street

P.O. Box 1008

Columbus, Ohio 43216-1008

614-464-5414

614-719-4904 (fax)

[mhpetricoff@vorys.com](mailto:mhpetricoff@vorys.com)

[glpetrucci@vorys.com](mailto:glpetrucci@vorys.com)

*Attorneys for the Retail Energy Supply Association*

## CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Reply Comments were served this 6<sup>th</sup> day of September 2013, via email, on the parties listed below.



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M. Howard Petricoff

On Behalf of Ohio Power Company:

Steven T. Nourse  
American Electric Power Service Corporation  
1 Riverside Plaza, 29<sup>th</sup> Floor  
Columbus, Ohio 43215  
[stnourse@aep.com](mailto:stnourse@aep.com)

On Behalf of Ohio Consumers' Counsel:

Edmund "Tad" Berger  
Assistant Consumers' Counsel  
Office of the Ohio Consumers' Counsel  
10 West Broad Street, Suite 1800  
Columbus, Ohio 43215-3485  
[berger@occ.state.oh.us](mailto:berger@occ.state.oh.us)

On Behalf of FirstEnergy Solutions Corp.:

Mark A. Hayden  
FIRSTENERGY SERVICE COMPANY  
76 South Main Street  
Akron, Ohio 44308  
[haydenm@firstenergycorp.com](mailto:haydenm@firstenergycorp.com)

On Behalf of the Industrial Energy Users – Ohio:

Samuel C. Randazzo  
Frank P. Darr  
Joseph E. Olikier  
Matthew R. Pritchard  
MCNEES WALLACE & NURICK LLC  
21 East State Street, 17TH Floor  
Columbus, Ohio 43215  
[sam@mwncmh.com](mailto:sam@mwncmh.com)  
[fdarr@mwncmh.com](mailto:fdarr@mwncmh.com)  
[joliker@mwncmh.com](mailto:joliker@mwncmh.com)  
[mpritchard@mwncmh.com](mailto:mpritchard@mwncmh.com)

On Behalf of Interstate Gas Supply Inc.:

Vincent Parisi  
Matthew White  
Interstate Gas Supply Inc.  
6100 Emerald Parkway  
Dubin, Ohio 43016  
[vparisi@igsenergy.com](mailto:vparisi@igsenergy.com)  
[mswhite@igsenergy.com](mailto:mswhite@igsenergy.com)

On Behalf of the Staff of the Public Utilities  
Commission of Ohio:

Werner L. Margard III  
Steen Beeler  
Assistant Attorneys General  
Public Utilities Section  
180 East Broad Street  
Columbus, Ohio 43215  
[werner.margard@puc.state.oh.us](mailto:werner.margard@puc.state.oh.us)  
[steven.beeler@puc.state.oh.us](mailto:steven.beeler@puc.state.oh.us)

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Summary: Reply Comments electronically filed by Mrs. Gretchen L. Petrucci on behalf of  
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