BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to §4928.143, Revised Code, in the Form of an Electric Security Plan	))))	Case No. 13-2385-EL-SSO
In the Matter of the Application of Ohio Power Company for Approval of Certain Accounting Authority	)))	Case No. 13-2386-EL-AAM

REPLY BRIEF OF DIRECT ENERGY SERVICES, LLC AND DIRECT ENERGY BUSINESS, LLC

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I. INTRODUCTION

Direct Energy Services, LLC and Direct Energy Business, LLC ("Direct Energy") files its Reply Brief in this proceeding. Direct Energy also supports and agrees with the Reply Brief filed by the Retail Energy Supply Association ("RESA") in this docket. As explained below, the Commission should:

1. Reject Ohio Power Company's ("AEP-Ohio") request to defer action on Direct Energy's reasonable proposal to make the optionality of supplier consolidated billing ("SCB") contained in the Public Utilities Commission of Ohio ("Commission") rules an operational and functional reality. The time to move forward with this customer benefit is now.
2. Reject the proposed Purchased Power Agreement Rider ("Rider PPA").

II. ARGUMENT

A. The Commission should modify the proposed ESP to require AEP-Ohio to implement SCB to benefit customers.

As supported by record evidence identified in its Initial Brief, the Commission should direct AEP-Ohio to pull together a stakeholder group and then file a tariff to implement SCB.[1] AEP-Ohio characterizes this proposal by Direct Energy and other proposals by competitive retail electric supply ("CRES") providers as "at the investigatory stages and would benefit from discussion and further development in a collaborative environment."[2] AEP-Ohio then makes a blanket statement that "Other proposals appear to be CRES providers' attempts to maintain market share or power." AEP-Ohio further explains that the Commission should only entertain proposals "AEP Ohio included in its Application, witness testimony, and briefing in this case inasmuch as an ESP is not the appropriate proceeding in which other parties' new or

[1] Direct Energy Initial Brief at 5-7.
[2] AEP-Ohio Initial Brief at 148.

experimental ideas should be presented or adopted. Instead, the Commission should defer consideration of such proposals, if at all, to another proceeding."[3]

Direct Energy agrees in part with AEP-Ohio. Direct Energy is not asking for a Commission decision regarding SCB implementation details in this case. As explained previously, Direct Energy recognizes an ESP case is not a preferred venue to work out all of the details related to SCB. This is why Direct Energy is proposing the procedural mechanism of a working group and then a required tariff filing. The only directive Direct Energy seeks in this case is that AEP-Ohio must convene the working group and then must file (at the latest, one year after the opinion and order or similar order in this case) a tariff to actually implement SCB so that CRES providers can use the new functionality. Stakeholder groups have worked well in the past to work out details related to implementation of other initiatives such as utility websites for supplier information, bill formatting, and utility data access. Indeed, the issues raised in cross examination by AEP-Ohio are the kinds of issues the working group work address before AEP-Ohio would make the required tariff filing at the Commission.[4] The working group followed by a tariff filing provides stakeholders sufficient time and opportunities to resolve concerns or sticking points and a tariff filing case will give the Commission a better forum to consider the details presented to implement this important benefit to customers. Direct Energy urges the Commission to direct AEP-Ohio to convene a stakeholder group and then file a tariff to implement SCB.

[3] AEP-Ohio Initial Brief at 148.
[4] Tr. Vol VII at 1677-1683.

B. Rider PPA should be rejected by the Commission.

Direct Energy concurs with the arguments made in the RESA Reply Brief urging the Commission to reject Rider PPA. Additionally, to amplify the concerns raised regarding Rider PPA, the Commission should give significant weight to the future unknown and unknowable situations that exist as it relates to Rider PPA. There was plenty of evidence offered to substantiate that nobody knows what future market prices or costs will be[5] and that such prices can be volatile. While AEP-Ohio asserts that Rider PPA is a benefit to customers, the evidence in this case that the rider could become a credit to customers is based on existing costs for one plant and existing market conditions. AEP glosses over the fact that, once approved, Rider PPA will allow all costs associated with that portion of the plant to be passed through to all customers. The plant owners (Ohio Valley Electric Corporation in the current case or AEP-Ohio affiliates if Rider PPA is expanded) would have the ability to conduct platinum level upgrades, huge salary increases and other unknown "improvements", all with a blank check from AEP-Ohio rate payers (even shopping customers) and a heavy burden at the Federal Energy Regulatory Commission to obtain disallowances.[6] There is also little to nothing in this docket to address what happens to the plants after customers have paid for upgrades. Do the utilities or potentially their unregulated affiliates then reap the profits of the plants after the rider expires? Can the utilities or their unregulated affiliates now sell those plants at a windfall (and cut out any potential sharing of those profits to customers) because there are no remaining upgrade costs? These simple questions and the other unknowns[7] make approving Rider PPA the wrong choice for all AEP-Ohio customers.

[5] See, e.g., Tr. Vol. XIII at 3089.
[6] Staff Initial Brief at 7-8.
[7] Staff Initial Brief at 21-24.

III. CONCLUSION

As the Ohio market evolves CRES providers should be allowed the option of offering customers a single bill without relying on the utility. This will allow a CRES provider to develop new products without asking the utility to program changes to its billing system and other suppliers to agree to that programming. Instead a CRES provider will be able to stay ahead of its competitors and provide innovative product options for customers while still giving customers the single bundled bill they prefer. Finally, the Commission should outright reject Rider PPA.

Respectfully Submitted,

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CERTIFICATE OF SERVICE

In accordance with Rule 4901-1-05, Ohio Administrative Code, the PUCO's e-filing system will electronically serve notice of the filing of this document on the following parties. In addition, I hereby certify that a service copy of the foregoing *Reply Brief of Direct Energy Services and Direct Energy Business* was sent by, or on behalf of, the undersigned counsel to the following parties of record this 15th day of August 2014 via e-mail, except those specifically designated as being served via U.S. Mail.

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Summary: Reply Brief electronically filed by JOSEPH CLARK on behalf of Direct Energy Services, LLC and Direct Energy Business, LLC