BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application Seeking Approval of Ohio Power Company's Proposal to Enter into an Affiliate Power Purchase Agreement for Inclusion in the Power Purchase Agreement Rider	)	Case No. 14-1693-EL-RDR
In the Matter of the Application of Ohio Power Company for Approval of Certain Accounting Authority	)	Case No. 14-1694-EL-AAM

MEMORANDUM IN OPPOSITION TO SIERRA CLUB'S MOTION TO ESTABLISH A PROCEDURAL SCHEDULE

As part of its *ESP III* proposal (pending in Case Nos. 13-2385-EL-SSO et al.), Ohio Power Company (AEP Ohio) proposed the power purchase agreement (PPA) Rider. As detailed in the ESP III Application, testimony and briefing, the Company's PPA Rider proposal is a measure for stabilizing rates for both shopping customers and SSO customers alike – by passing through to customers the differential between PJM market prices and a cost-based contractual price. The PPA Rider would flow through to customers, on a non-bypassable basis, the net benefit of all revenues accruing to AEP Ohio resulting from the liquidation of PPA entitlements into the PJM market (including energy, capacity, ancillaries, etc.) less all costs associated with the PPA. While the PPA Rider could be either a credit or a charge during a given time period, inclusion of the AEPGR PPA in the PPA Rider would always provide a measure of stability in parallel to, and as a hedge against, more volatile market prices. In the ESP III proceeding, the Company requested approval of the PPA Rider to initially include the Ohio Valley Electric Corporation (OVEC) contractual entitlement, while reserving the ability to

request inclusion of additional PPAs or similar products in the PPA Rider during the ESP term; AEP Ohio indicated that it would file a separate rider Application (*i.e.*, this proceeding) to pursue an additional PPA. Thus, on October 3, 2014, AEP Ohio filed the Application to initiate this proceeding, requesting approval of the Company's proposal to enter into a new affiliate PPA between the Company and AEP Generation Resources, Inc. (AEPGR) and for its inclusion in the PPA Rider.

On October 16, the Sierra Club filed a motion asking for an inappropriate and protracted litigation schedule in this proceeding. Sierra Club reveals (Motion at 2) that its proposed schedule is modeled after the FirstEnergy ESP IV proceeding, reflecting a similar number of days from the application to deadlines for discovery, testimony and hearing, etc. Sierra Club argues that the FirstEnergy ESP IV "serves as an appropriate model" for this proceeding. The issues presented in AEP Ohio's current application are not nearly as broad as the Sierra Club portrays them and the basis presented for significant delay lacks merit.

In AEP Ohio's ESP III proceeding recently litigated before the Commission, all of the parties in the ESP III case have already addressed – through testimony and briefing – the issues involved with AEP Ohio's PPA Rider proposal. Because Sierra Club was not a party to the AEP Ohio ESP III cases, it is not a coincidence that Sierra Club has come forward by itself and unilaterally seeks to unduly extend the procedural schedule in this case. AEP Ohio's current application is not comparable in scope to FirstEnergy's ESP IV proceeding on a number of levels. The scope of the issues in the FirstEnergy IV proceeding is much broader than AEP Ohio's present application, as even Sierra Club admits (Motion at 2). Regarding the PPA issues overlapping between the AEP Ohio and

FirstEnergy cases, the over-arching legal and policy issues embedded in FirstEnergy's ESP IV case have already been litigated in AEP Ohio's ESP III cases. Of course, there are many other issues involved in the FirstEnergy ESP IV proceeding beyond its PPA proposal. Sierra Club also fails to mention that the same over-arching issues are presently being litigated in the Duke Energy Ohio ESP case.

Moreover, AEP Ohio has already responded to nearly 350 detailed discovery requests and submitted more than 60 documents in the ESP III cases in support of the PPA Rider proposal. Subjecting the Company to an additional three months of discovery, as suggested by Sierra Club, concerning the affiliate PPA is unduly burdensome and overkill. Thus, as Sierra Club is well aware, the issues involving AEP Ohio's PPA Rider have largely been litigated and the current affiliate PPA application presents a much narrower set of issues than the FirstEnergy ESP IV case. Accordingly, while Sierra Club has not itself litigated the major legal and policy issues associated with AEP Ohio's PPA Rider and would like to "slow walk" consideration of the Company's expanded PPA, that is not a valid reason to impose a glacial-speed schedule for considering the Company's proposal that has already been extensively subjected to discovery and litigation.

The Company supported the affiliate PPA in this proceeding through detailed testimony, which fully described the proposal. Sierra Club claims that the “voluminous” nature of the Company’s application and supporting testimony warrants an extended procedural schedule – quite the contrary, the substantial testimony and supporting data that the Company filed in connection with the application should allow parties to review and evaluate the Company’s proposal expeditiously. Not only has the Company provided

a detailed description of the terms and conditions of the proposed PPA, but it has also evaluated the financial impact of the PPA using substantial data and explanations. Moreover, the Company is already responding to additional discovery requests in this case to help further clarify and support the proposal. The Sierra Club's generalized statements about providing inadequate time for discovery and developing written testimony are unsupported. Sierra Club failed to intervene in the Company's ESP III case – despite having plenty of notice and time to do so – and may have some catching up to do. AEP Ohio should not, however, be required to "pay for" Sierra Club's delayed decision to get involved in the PPA issues through adoption of an unreasonably slow procedural schedule.

CONCLUSION

While the proposed schedule in the Application may be viewed by some as aggressive, the reality is that the proposed PPA would start on June 1, 2015 and the parties need to know well in advance of that date whether the agreement is going to be implemented. Knowing this, the schedule proposed by Sierra Club is actually structured to preclude a timely decision by the Commission. It is inherently unreasonable to schedule a hearing in a rider proceeding nearly 200 days after the application is filed and the Commission should not indirectly determine the outcome of this proceeding through neglect and regulatory lag, as it is invited to do by Sierra Club. Rather, the Commission should deny the Sierra Club proposal and adopt an expeditious procedural schedule that preserves a timely outcome as requested in the Company's application.

Respectfully submitted,

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The undersigned hereby certifies that a true and accurate copy of the foregoing ***Memorandum in Opposition*** was served this 29th day of October, 2014 by electronic mail, upon the persons listed below.

//s/ Steven T. Nourse
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Summary: Memorandum in Opposition to Sierra Club's Motion to Establish a Procedural Schedule electronically filed by Mr. Steven T Nourse on behalf of Ohio Power Company