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From:	David F. Boehm, Esq. Michael L. Kurtz, Esq. Kurt J. Boehm, Esq. Jody Kyler Cohn, Esq.	Date:	May 13, 2015
Re:	Application Of 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** Application Of Ohio Power For Approval Of Certain Accounting Authority- **Case No. 13-2386-EL-AAM**	Pages	11 (including cover)

Attached please find the OHIO ENERGY GROUP's MOTION FOR LEAVE TO FILE RESPONSE, MEMORANDUM IN SUPPORT and RESPONSE for filing in the above-referenced dockets. Please note that the Commission e-filing portal was down at the time of this filing.

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May 13, 2015

Public Utilities Commission of Ohio
PUCO Docketing
180 E. Broad Street, 10th Floor
Columbus, Ohio 43215

In re:* *Case Nos. 13-2385-EL-SSO and 13-2386-EL-AAM

Dear Sir/Madam:

Please find attached the OHIO ENERGY GROUP's MOTION FOR LEAVE TO FILE RESPONSE, MEMORANDUM IN SUPPORT and RESPONSE for filing in the above-referenced matters.

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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BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO

In The Matter Of The Application Of 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 Application Of Ohio Power For Approval Of Certain Accounting Authority.	:	**Case No. 13-2386-EL-AAM**

MOTION FOR LEAVE TO FILE RESPONSE OF THE OHIO ENERGY GROUP

Pursuant to Ohio Adm. Code 4901-1-12, the Ohio Energy Group ("OEG") submits this Motion for Leave to File a Response ("Motion") to the Reply submitted by Ohio Power Company ("AEP Ohio" or "Company") in the above-captioned proceedings on May 12, 2015. Allowing OEG to submit the attached Response will assist the Public Utilities Commission of Ohio ("Commission" or "PUCO") in remedying an important flaw in the Company's April 24, 2014 Compliance Tariff Filing ("Compliance Filing") with respect to the operation of Rider IRP. A memorandum in support of this Motion is attached.

Respectfully submitted,

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May 13, 2015

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BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO

In The Matter Of The Application Of 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 Application Of Ohio Power For Approval Of Certain Accounting Authority	:	**Case No. 13-2386-EL-AAM**

MEMORANDUM IN SUPPORT

On April 24, 2015, AEP Ohio submitted a Compliance Filing to reflect the rates and tariffs approved by the Commission in its February 25, 2015 Opinion and Order in the above-captioned proceedings ("Order"). Upon review of the portions of the Compliance Filing addressing Rider IRP, OEG discovered an important flaw in the tariff language. This flaw could cause interruptible customers to credit more money to AEP Ohio than they received by bidding their interruptible resources into the PJM markets. Consequently, on May 8, 2015, OEG requested permission to submit Objections in order to explain the problem and to assist the Commission in remedying this issue. On May 12, 2015, AEP Ohio filed a Reply to OEG's Objections. Accordingly, OEG now seeks leave to file the attached Response in order to address the allegations contained in AEP Ohio's Reply.

Respectfully submitted,

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May 13, 2015

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BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO

In The Matter Of The Application Of 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 Application Of Ohio Power For Approval Of Certain Accounting Authority.	:	**Case No. 13-2386-EL-AAM**

RESPONSE OF THE OHIO ENERGY GROUP

On May 8, 2015, OEG filed Objections in the above-captioned proceedings explaining how AEP Ohio's Compliance Filing contains an important flaw with respect to the operation of Rider IRP, which could cause interruptible customers to credit more money to AEP Ohio than those customers received by bidding their interruptible resources into the PJM markets. OEG recommended that the Commission direct AEP Ohio to slightly modify the language in Tariff Sheet No. 427-5 to ensure that an interruptible customer is required to credit AEP Ohio only the amount of compensation that it actually receives from PJM.

On May 12, 2015, AEP Ohio filed a Reply to OEG's Objections, alleging that the approach set forth in its Compliance Tariff yields a fair and reasonable result. The Company urged the Commission to adopt its approach or, alternatively, to direct that the $8.21/kW-month *"Demand Credit"* that interruptible customers receive be calculated based only upon the amount of interruptible capacity that clears in the PJM auctions.

AEP Ohio's rationale for radically modifying Rider IRP is flawed and should be rejected. The brand new approach to Rider IRP reflected in AEP Ohio's Compliance Tariff significantly differs from the approach set forth by the Commission in its Order, the approach proposed by AEP Ohio in its Application for Rehearing, the approach that AEP Ohio agreed to in its Initial Post-Hearing Brief, and the way that AEP Ohio itself had been crediting PJM revenues related to interruptible capacity during its previous ESP.

As an initial matter, the Commission's Order directs that AEP Ohio, rather than Rider IRP-D customers, should bid the participating interruptible capacity into PJM. AEP Ohio is then supposed to credit any resulting PJM revenue back to all customers through the EE/PDR Rider.[1] This was the same approach adopted by the Commission with respect to Rider IRP-D in AEP Ohio's previous ESP case.[2]

In contrast, the approach reflected in AEP Ohio's Compliance Tariff would require Rider IRP customers to bid their own interruptible capacity into PJM and to provide a credit based on their *total interruptible capacity*, rather a credit based upon only the amount of capacity revenue those customers ultimately receive from PJM. Hence, in its Compliance Tariff, AEP Ohio unilaterally made at least two stark changes to the approach set forth by the Commission: 1) changing the entity responsible for bidding interruptible capacity into PJM; and 2) expanding the potential level of credit that the entity must pass back to an amount that is greater than the amount actually received from PJM.

While OEG does not take issue with AEP Ohio's change to the entity bidding interruptible capacity into PJM (aside from its divergence from the Commission's explicit direction), the Company's proposed change to require interruptible customers to credit back more revenue than they ultimately receive from PJM represents a significant departure from how Rider IRP-D has previously operated that would substantially undermine the economic development objectives served by continuing the Rider. During its previous ESP, AEP Ohio was not required to credit more revenues to customers than it received as a result of bidding interruptible capacity into PJM. Such a result would have been unfair. The same logic applies in these circumstances. It would be similarly unfair to require interruptible customers to credit AEP Ohio more money than they ultimately receive from PJM.

AEP Ohio attempts to explain away the stark changes to Rider IRP contained in its Compliance Filing by describing how those changes implement the recommendations in its Application for Rehearing in this proceeding.[3] The Company then claims that OEG *"could have registered its objection to AEP Ohio's proposed*

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[1] Order at 40 (*"AEP Ohio should also bid the additional capacity resources associated with the IRP-D into PJM's base residual auctions held during the ESP term, with any resulting revenues credited back to customers through the EE/PDR rider."*).

[2] Case No. 11-346-EL-SSO *et al*, Opinion and Order (August 8, 2012) at 26 (*"In addition, since AEP-Ohio may utilize interruptible service as an additional demand response resource to meet its capacity obligations, we direct AEP-Ohio to bid its additional capacity resources into PJM's base residual auctions held during the ESP."*).

[3] AEP Ohio Reply at 2.

approach by filing a response to the Company's rehearing and its objection now arguably constitutes an untimely memo contra to the Company's rehearing..."[4] But a brief review of AEP Ohio's Application for Rehearing reveals that the Company proposed the same approach to Rider IRP that OEG now recommends in its Objections.

In its Application for Rehearing, AEP Ohio described practical issues with the Commission's requirement that the Company bid the Rider IRP interruptible capacity into PJM.[5] To address those issues, AEP Ohio proposed that the Commission modify Rider IRP to require interruptible customers to bid into the PJM markets and credit back the amount of revenue actually received:

> *First, as a condition of participating in Rider IRP-D, all IRP-D customers receiving service under that tariff could be required to certify to AEP Ohio that they have bid, or will bid in the next auction, their interruptible capacity resources into the PJM capacity market. Next, pursuant to the modified Rider IRP-D, AEP Ohio could be required to offset against, and reduce the amount of, the interruptible credits provided to each IRP-D customer by the gross amount of capacity revenues, which could be calculated based on the weighted average auction clearing price and the amount of any emergency energy payments during events. AEP Ohio would then recover from all customers, through the rider used to recover the cost of the Rider IRP-D interruptible credits (and, as noted elsewhere, AEP Ohio recommends that the EDR be used for that purpose), the net amount of the Rider IRP-D interruptible credits minus the gross amount of revenues realized from the sale of the IRP-D customers' interruptible capacity and emergency energy into the PJM market. In this manner, the Commission could achieve its goal of reducing the cost to all customers of the Rider IRP-D interruptible credits <u>by the revenues received from the sale of the IRP-D customers' interruptible capability into the PJM market.</u>*[6]

The Commission has yet to rule on AEP Ohio's rehearing approach. But that approach is the same approach that OEG supported in its Objections – requiring interruptible customers to credit back all of the revenues they receive from PJM for their interruptible capacity, and no more. Accordingly, AEP Ohio's current attempt to recast its arguments on rehearing to reflect its current desires must be dismissed.

In its Initial Post-Hearing Brief in this proceeding, AEP Ohio stated that it *"would not object to continuing schedule IRP-D for existing IRP-D tariff customers and as an option for economic development purposes, along with the existing $8.21/kW-month credit, and for purposes of unlimited emergency interruptions only."*[7] AEP Ohio's agreement to continue Rider IRP-D as described was contingent solely upon its ability to

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[4] AEP Ohio Reply at 2.
[5] Application for Rehearing at 47-48.
[6] Application for Rehearing at 48-49.
[7] AEP Ohio Initial Post-Hearing Brief at 73.

recover the costs of any interruptible credits.[8] AEP Ohio never suggested that the Commission adopt the dramatic changes to Rider IRP reflected in its Compliance Filing. Accordingly, it is unreasonable for AEP Ohio to attempt to insert those last-minute changes into its tariffs through the Compliance Filing without Commission approval.

As the Commission explained, Rider IRP *"offers numerous benefits, including the promotion of economic development and the retention of manufacturing jobs, and furthers state policy, which [the Commission] recognized in the ESP 2 Case."*[9] If the Commission accepted AEP Ohio's Compliance Filing approach with respect to Rider IRP, these benefits would be significantly undermined. While OEG agrees with AEP Ohio's rehearing statement that the Commission's goal is to *"reduc[e] the cost to all customers of the Rider IRP-D interruptible credits by the revenues received from the sale of the IRP-D customers' interruptible capability into the PJM market,"*[10] the Commission never indicated that it wished to require interruptible customers to credit back more money than they receive from PJM. AEP Ohio's Compliance Tariff is therefore far afield of the Commission's directives set forth in its Order.

In summary, the Compliance Filing reflects a unilateral *"out of the blue"* change to Rider IRP that significantly differs from the approach set forth by the Commission in its Order, the approach proposed by AEP Ohio in its Application for Rehearing, the approach that AEP Ohio agreed to in its Initial Post-Hearing Brief, and the way that AEP Ohio itself had been crediting PJM revenues related to interruptible capacity during its previous ESP. The Commission should reject this brand new approach and direct AEP Ohio to modify the language in Tariff Sheet No. 427-5 to ensure that an interruptible customer is required to credit AEP Ohio only the amount of compensation that it actually receives from PJM.

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[8] Id.
[9] Order at 40.
[10] Id.

WHEREFORE, for the foregoing reasons, OEG respectfully requests that the Commission take steps to remedy the current flaw in AEP Ohio's Compliance Filing regarding the operation of Rider IRP.

Respectfully submitted,

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May 13, 2015

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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 13th day of May, 2015 to the following:

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