

**BEFORE THE  
PUBLIC UTILITIES COMMISSION OF OHIO**

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

In the Matter of the Application of	)	Case No. 14-1694-EL-AAM
Ohio Power Company for Approval of	)	
Certain Accounting Authority	)	

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**REPLY BRIEF OF THE KROGER CO.**

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**I. The Commission should heed the warnings of the various parties challenging AEP Ohio's Revised Affiliate PPA proposal and reject the Stipulation.**

Various parties presented substantive challenges to AEP Ohio's Revised Affiliate PPA proposal in their initial post-hearing briefs. Kroger will not needlessly duplicate these parties' arguments, but states that it supports these parties' positions and urges the Commission to deny AEP's Ohio PPA proposal outright.

**II. The PPA rider rate design is not "fair to all customers" as AEP Ohio claims.**

In its initial-post hearing brief, AEP Ohio claims that the proposed rate design for the PPA rider is "fair to all customers." AEP Ohio Initial Brief at p. 104. This claim is incorrect. AEP Ohio's proposed rate design for the PPA rider is not to "fair" to certain high load factor customers like Kroger. OEG witness Baron testified that the predominant costs to be included in the PPA rider are demand related costs. Direct Testimony of Stephen J. Baron (OEG Ex. 1) at p. 19. Therefore, it is appropriate to *allocate* these costs to rate classes based on demand.

However, it is entirely inappropriate to then *recover* these costs based on an energy charge in

rate classes where customers have demand meters. As Kroger explained in its initial brief, mismatching the allocation of costs and the recovery of costs can result in unfair and unjust subsidies that violate the principle of cost causation. Kroger Initial Post-Hearing Brief at p. 4-5. If the Commission grants the Revised Affiliate PPA proposal, the Commission should modify the PPA rider rate design so that the PPA rider costs are recovered on a demand basis for demand metered customers. This modification would ensure that the PPA rider is consistent with the principle of cost causation and prevent unfair intraclass subsidies.

### **III. Conclusion.**

Based on the foregoing, the Commission should reject the Stipulation and deny AEP Ohio's PPA proposal. If the Commission allows AEP Ohio to include the Revised Affiliated PPA in the PPA rider, the Commission should modify the PPA rider rate design so that PPA rider costs are recovered on a demand basis for demand metered customers.

Respectfully submitted,

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## CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing *Reply Brief of The Kroger Co.* was served this 8th day of February, 2016 upon the following via electronic mail.

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**This foregoing document was electronically filed with the Public Utilities**

**Commission of Ohio Docketing Information System on**

**2/8/2016 3:31:59 PM**

**in**

**Case No(s). 14-1693-EL-RDR, 14-1694-EL-AAM**

Summary: Reply Reply Brief of The Kroger Co. filed and served on behalf of Celia M. Kilgard electronically filed by Mr. Devin D. Parram on behalf of The Kroger Co.