

**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)	Case No. 14-1693-EL-RDR
Purchase Agreement for Inclusion in the)	
Power Purchase Agreement Rider)	
)	
In the Matter of the Application of Ohio)	
Power Company for Approval of Certain)	Case No. 14-1694-EL-AAM
Accounting Authority)	

MEMORANDUM CONTRA OF INTERSTATE GAS SUPPLY, INC.

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I. INTRODUCTION

On December 14, 2015, Ohio Power Company ("AEP") and a diverse group of parties, including Interstate Gas Supply, Inc. ("IGS") submitted a Joint Stipulation and Recommendation ("Stipulation") to resolve the outstanding issues presented in this proceeding. On March 31, 2016, the Public Utilities Commission of Ohio ("Commission") issued an Opinion and Order ("Order") modifying and approving the Stipulation.

Among other things, the Order authorized AEP to file an application to extend its ESP to facilitate adoption of various elements of the Stipulation, including the bypassable Competition Incentive Rider ("CIR"). As the Stipulation notes, the CIR would be "an addition to the SSO non-shopping rate above the auction price with the

purpose of incenting shopping and recognizing that there may be costs associated with providing retail electric service that are not reflected in SSO bypassable rates.”¹

On May 2, 2016, the Office of Ohio Consumers’ Counsel (“OCC”) filed an application for rehearing contesting the Order, including the approval of the CIR. As discussed below, OCC’s application for rehearing lacks merit and should therefore be denied.

II. ARGUMENT

OCC asserts one argument (though it is included twice) against the approval of the CIR. OCC alleges that the CIR facilitates an anticompetitive price increase of the SSO and marketer’s rates in violation of R.C. 4928.02(A).² OCC’s argument is meritless and reflects merely another thinly disguised attempt to protect default generation service at the expense of the competitive retail market.

Initially, OCC is incorrect that the CIR reflects an “artificial” increase in the SSO price. The CIR is “an addition to the SSO non-shopping rate above the auction price *with the purpose of incenting shopping and recognizing that there may be costs associated with providing retail electric service that are not reflected in SSO bypassable rates.*”³ The purpose of the CIR is to properly allocate default generation service-related costs embedded in distribution rates to default service—it is not an artificial increase. OCC’s own witness, Michael Haugh, agreed that there are several additional costs that retail electric providers must incur that are not exclusively related to the

¹ Stipulation at 12.

² Application for Rehearing By The Office of the Ohio Consumers’ Counsel at 50-52.

³ Stipulation at 12 (emphasis added).

commodity of electricity, such as scheduling, product development, pricing, risk management, and regulatory.⁴ Such costs are not currently recovered through bypassable rates from default service customers. Thus, the CIR is clearly not an artificial price increase.

While the first CIR application will be a proxy for generation-related costs embedded in distribution rates, “AEP Ohio will provide an analysis as part of its next distribution rate case to show all of the actual costs required to provide SSO generation service that are included in the Company's cost of service study.”⁵ Thus, the CIR advances the state policy in favor of unbundled and comparable rates and avoiding subsidies. See R.C. 4928.02(B) and (H).

OCC is also incorrect that adding additional costs to the SSO will diminish the incentive for CRES providers to offer a competitive price to attract standard service offer customers and that there will be an “incentive” to raise rates by some amount up to the CIR rate.⁶ The stated purpose of the CIR is unbundle distribution rates and to incentivize competition. As Mr. Allen testified, “[t]he goal of provisions like that is to grow the market for shopping customers and to allow more opportunity for CRES providers to enter the market and to provide more innovative offerings to customers as a market is developed.”⁷ The Commission has already “recognized that there may be

⁴ Tr. Vol. XXI at 5400-03.

⁵ Stipulation at 13.

⁶ Application for Rehearing By The Office of the Ohio Consumers' Counsel at 50.

⁷ Tr. Vol. XX at 4928.

value in incentives to customers shopping.”⁸ And the Commission has in the past approved shopping incentive structures on at least two occasions.⁹

Moreover, IGS is highly motivated to present customers with compelling products and services. The Commission will have the opportunity to “consider whether the filing of that kind of mechanism has the potential to improve Ohio’s competitive markets.”¹⁰ OCC will have an opportunity to raise any concerns in AEP’s ESP extension filing.

III. CONCLUSION

For the reasons stated herein, IGS recommends that the Commission reject OCC’s application for rehearing.

Very truly yours,

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⁸ *Id.*

⁹ Tr. Vol. XX at 4927-28.

¹⁰ Tr. Vol. XVIII at 4642.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing *Memorandum Contra of Interstate Gas Supply, Inc.* was served this 12th day of May 2016 via electronic mail upon the following:

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Summary: Memorandum Contra electronically filed by Mr. Joseph E. Olier on behalf of IGS Energy