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

BUCKEYE POWER, INC.'S MEMORANDUM CONTRA OCC's, OMA ENERGY GROUP'S, P3'S AND EPSA's APPLICATIONS FOR REHEARING

On December 5, 2016, Buckeye Power, Inc. ("Buckeye"), the Office of the Ohio Consumer's Counsel ("OCC"), the Ohio Manufacturers' Association Energy Group ("OMA Energy Group"), the PJM Power Providers Group ("P3") and the Electric Power Supply Association ("EPSA") filed Applications for Rehearing of the Commission's November 3, 2016 Second Entry on Rehearing (the "Rehearing Entry") in these proceedings.

OCC, OMA Energy Group, P3 and EPSA all argue against inclusion of AEP Ohio's OVEC entitlement in the proposed PPA Rider.[1] OMA Energy Group, for example, argues that the Commission's Rehearing Entry is unreasonable and unlawful because the OVEC-only PPA Rider was not specifically addressed in a separate hearing or in the existing record. OMA Energy Group also argues that the Commission already rejected an OVEC-only PPA Rider in the Commission's February 25, 2015 Order in AEP Ohio's ESP III case. P3 and EPSA similarly argue that there is no record evidence that an OVEC-only PPA Rider will provide the same level of hedging benefits as a combined OVEC and Affiliate PPA rider.

[1] The Environmental Law & Policy Center ("ELPC") also filed an Application for Rehearing of the Commission's Rehearing Entry; however, ELPC's Application for Rehearing addresses matters unrelated to the inclusion of OVEC in the PPA Rider. Buckeye takes no position on ELPC's Application for Rehearing.

Buckeye disagrees with the arguments made by these parties in their Applications for Rehearing and notes that it is ironic that these parties are the very same parties who argued against inclusion of the Affiliate PPA units in the PPA Rider. EPSA, in particular, was the very party who filed the affiliate waiver complaint at FERC that resulted in the FERC order invalidating the Affiliate PPA. EPSA, and the other parties opposing the OVEC-only PPA Rider on rehearing, now argue that the OVEC-only PPA Rider should not be approved because it is not broad enough and, as a result, won't act as a sufficient hedge or provide enough rate stability, yet they, and EPSA in particular, caused and are the reason why the PPA Rider does not include the Affiliate PPA units.

The parties to the Stipulation, including Buckeye and AEP Ohio and various other parties to this proceeding, all agreed to and approved a PPA Rider that included both the OVEC units and the Affiliate PPA units, and the Commission approved the Stipulation in its March 31, 2016 Initial Order in these proceedings. Thus, the Commission and Buckeye and AEP Ohio and all of the parties to the Stipulation agree that the PPA Rider should include both OVEC and the Affiliate PPA units. EPSA and the other parties opposing the OVEC-only PPA have made that impossible, however, by pursuing action at the federal level through FERC to prevent the Stipulation and the Affiliate PPA from going into effect as agreed to by the Commission, Buckeye, AEP Ohio and all of the other parties to the Stipulation. The arguments of EPSA and the other parties that an OVEC-only PPA is now insufficient should, therefore, be given little credence.

The Commission should also consider that a broader PPA Rider including the Affiliate PPA units may not now be legally possible given the actions of EPSA and the other parties arguing against the OVEC-only PPA Rider. This should not, however, prevent the Commission from approving a PPA Rider, including OVEC, that can be approved and that can provide rate stability and a hedge against volatile market prices, even if a PPA Rider including the Affiliate PPA units would provide a more robust hedge. The point is that circumstances have changed since the Commission issued its Order in AEP Ohio's ESP III where the Commission initially rejected an OVEC-only PPA Rider, and, as a result of such changed circumstances, a broader PPA Rider including the Affiliate PPA units may no longer be possible. But the reason that circumstances have changed is the result of the actions of EPSA and the other parties opposing the OVEC-only PPA Rider on rehearing. The Commission should not give credence to the arguments of these parties that changed circumstances now prevent the Commission from approving an OVEC-only PPA Rider when these parties have themselves caused the changed circumstances.

There is sufficient evidence in the record that an OVEC-only PPA Rider will provide benefits to Ohio ratepayers and consumers, even if there is also evidence in the record that a broader PPA Rider, including both the OVEC units and the Affiliate PPA units, would provide a broader hedge and greater rate stability. But the Commission is not required to reject an OVEC-only PPA Rider just because a broader PPA Rider would be more beneficial, when a broader PPA Rider is no longer possible, and when the reason that a broader PPA Rider is no longer possible is the result of the actions of the parties complaining about the OVEC-only PPA Rider on rehearing.

In addition, Buckeye notes that FirstEnergy recently, on November 4, 2016, announced in its own third quarter earnings presentation that it, like AEP, plans to restructure its operations to become a fully regulated vertically integrated utility and to divest its merchant/competitive assets. This includes a strategic review of FirstEnergy Solutions (FES) and its merchant assets, including the 8% ownership interest of FES and other FirstEnergy merchant affiliates in OVEC. FirstEnergy notes that one of the options that it is exploring for FES includes a restructuring of its debt or a potential bankruptcy of FES.

As an owner of 18% of OVEC, Buckeye notes that an FES default of its obligations to OVEC in bankruptcy could have a negative impact on the other OVEC owners, including Buckeye, particularly if an FES default results in an acceleration of OVEC's own debt. Buckeye also has its own independent and still outstanding debt associated with its acquisition of its 18% stake in OVEC. Buckeye, therefore, fully supports the decision of the Commission in its Rehearing Order to permit

AEP Ohio to include its OVEC interest in the PPA Rider as a hedge against volatile market prices and to support the jobs and employment that the OVEC plants provide. Buckeye would also support a Commission decision to allow other OVEC owners under the Commission's jurisdiction, such as Duke, DPL and FirstEnergy, to also include their OVEC interests in a PPA Rider or similar mechanism so as to support the continued operation of the OVEC units for the benefit of Ohio ratepayers and consumers (and OVEC employees and contractors).

Buckeye notes that as an 18% owner of OVEC, which Buckeye jointly owns with Duke, AEP, FirstEnergy and DPL, and as the owner of two out of the three units at Cardinal Generating Station, which Buckeye jointly owns with AEP (AEP owning Cardinal Unit 1), Buckeye stands in the unfortunate position of being potentially affected in a negative way by the Ohio electric restructuring process. Buckeye, as a nonprofit electric cooperative owned by its 25 electric distribution cooperative members, who in turn are owned by their retail member/consumers in the State of Ohio, has no shareholders/investors to whom it can pass along costs. Thus, any increased costs that Buckeye may incur resulting from the premature retirement or degradation of the OVEC units or of Cardinal Unit 1 (or from the bankruptcy or default of an OVEC owner or of the owner of Cardinal Unit 1) will be borne by the electric cooperative retail members/consumers in the State of Ohio.

Buckeye and its electric distribution cooperative members have not directly participated in the Ohio electric restructuring experiment and are thankful that they have been given the opportunity and option to remain a vertically integrated utility operating on a nonprofit cost of service basis with owned generation resources and a long term focus on serving the needs of Ohio electric cooperative members/consumers in a reliable, affordable and environmentally responsible manner. Buckeye asks that, to the extent possible, the Commission take steps to insulate Buckeye and its members from harm as the Commission and its regulated electric utilities work their way through the restructuring process, and to avoid having Buckeye and its members become unfortunate and unintended casualties of the restructuring process by virtue of Buckeye's joint ownership of OVEC and Cardinal

Generating Station with electric utilities under the Commission's jurisdiction, including their merchant affiliates.

Buckeye, therefore, opposes the Applications for Rehearing of OCC, OMA Energy Group, P3 and EPSA (at least to the extent that they oppose Commission approval of an OVEC-only PPA Rider) and respectfully requests that the Commission grant rehearing and on rehearing affirm the Commission's Rehearing Order, including approval of an OVEC-only PPA Rider, but with the changes to the Commission's Rehearing Order and the Stipulation requested by Buckeye in its Application for Rehearing.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Memorandum Contra was filed with the PUCO electronically and has been served by electronic mail delivery upon the persons listed on the attached Service List on this 15th day of December 2016.

/s/ Stephanie M. Chmiel
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