

FILE

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Commission Review)
of the Capacity Charges of Ohio Power) Case No. 10-2929-EL-UNC
Company and Columbus Southern Power)
Company.)

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**COMMENTS
BY
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL**

I. INTRODUCTION

The Office of the Ohio Consumers' Counsel ("OCC") hereby submits comments in the above-captioned case where the Public Utilities Commission of Ohio ("PUCO" or "Commission") seeks public comment regarding the capacity rates that the Ohio Power Company and the Columbus Southern Power Company (collectively, "AEP Ohio") charge to competitive retail electric service ("CRES") providers in Ohio. Capacity charges represent the costs of a utility making its generation units available to provide electric service to a customer. OCC files on behalf of all the approximately 1.2 million residential utility consumers of AEP Ohio who may be impacted by the resolution of this proceeding.

This case involves the Commission's review of: 1) what changes to the current state mechanism are appropriate to determine AEP Ohio's capacity charges to Ohio CRES providers; 2) the degree to which AEP Ohio's capacity charges are currently being collected from customers through retail rates approved by the Commission or through wholesale rates; and 3) the impact of AEP Ohio's capacity charges upon CRES providers and retail competition in Ohio. Thus, OCC has a direct interest in this case because AEP

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Ohio's capacity charges either are currently, or may ultimately be collected from Ohio residential consumers.

OCC submits brief comments now, but reserves its right to file reply comments in this case.

II. COMMENTS

In a recent proceeding before the Federal Energy Regulatory Commission ("FERC"), AEP Ohio requested a change in its method for capacity compensation from an auction-based method to a cost-based method.¹ As noted by OCC in its Protest at FERC, this proposal could substantially increase capacity charges to CRES providers and could undermine retail choice in Ohio.² In the FERC proceeding, multiple parties raised the argument that AEP Ohio is already being compensated for its capacity obligations through the provider-of-last resort charge approved by the Commission at the retail level.³ Further, at least one party raised the concern that AEP Ohio may be compensated for its capacity obligations through its Environmental Investment Carrying Cost Rider or other retail charges.⁴

These concerns about the potential for AEP Ohio to double recover or over-recover its capacity costs should be addressed by the Commission in its review of AEP

¹ *Columbus Southern Power Company and Ohio Power Company*, FERC Docket No. ER11-2183, Application (Nov. 24, 2010).

² OCC Protest at 2, FERC Docket No. ER11-2183 (Dec. 10, 2010).

³ FERC Docket No. ER11-2183, Motion to Intervene and Comments of Direct Energy Business, L.L.C. at 3; Protest of Industrial Energy Users-Ohio and Ohio Partners for Affordable Energy at 4-7; Motion to Intervene and Protest of FirstEnergy Service Company at 11-12. It should be noted that OCC preserves in this proceeding its previous arguments regarding the AEP Ohio provider-of-last-resort charge in PUCO Case No 08-917-EL-SSO and Supreme Court of Ohio Case Nos. 09-2022 and 09-1620.

⁴ Motion to Intervene and Protest of FirstEnergy Service Company at 12-13.

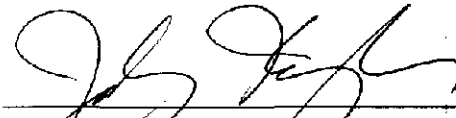
Ohio's capacity charges. The Commission's allowance of double or over-recovery of capacity charges to CRES providers could inhibit retail competition in Ohio by unnecessarily increasing the rates that CRES providers charge to consumers, including residential consumers who wish to engage in retail shopping. This is contrary to state policy as embodied in R.C. 4928.02(A)(ensuring reasonably price retail electric service) and R.C. 4928.02(C)(ensuring diversity of electricity supplies and suppliers), as well as other state policies that may be applicable. Therefore, the Commission should address the provider-of-last resort charge, the Environmental Investment Carrying Cost Rider, and any other retail rate mechanisms that already may exist to compensate AEP Ohio for its capacity obligations in this proceeding.

III. CONCLUSION

The Commission should adopt OCC's recommendations for the benefit of Ohio residential consumers and the public interest.

Respectfully submitted,

**JANINE L. MIGDEN-OSTRANDER
CONSUMERS' COUNSEL**

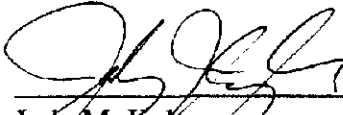


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CERTIFICATE OF SERVICE

I hereby certify that a copy of OCC's Comments was served on the persons stated below via regular U.S. Mail Service, postage prepaid, this 7th day of January, 2011.



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