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February 7, 2011

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

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PUCO

In re: Case No. 10-2929-EL-UNC

Dear Sir/Madam:

Please find enclosed the original and twenty (20) copies of the REPLY COMMENTS OF THE OHIO ENERGY GROUP fax-filed today in the above-referenced matter.

Please place this document of file. Copies have been served on all parties listed on the attached Certificate of Service.

Respectfully yours,



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Cc: Certificate of Service

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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 7th day of February, 2011 to the following:



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**BEFORE THE
PUBLIC UTILITY COMMISSION OF OHIO**

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

REPLY COMMENTS OF THE OHIO ENERGY GROUP

I. INTRODUCTION

Comes now, the Ohio Energy Group ("OEG") and submits these Comments in Reply to the Comments of Ohio Power Company and Columbus Southern Power Company (collectively "AEP-Ohio"). OEG recommends that the Commission reject AEP-Ohio's proposal concerning its capacity charges and deny AEP-Ohio's motion to establish a procedural schedule for a hearing.

II. ARGUMENT

1. The FERC's Order Rejecting AEP's Proposed Recovery Of Additional Capacity Costs Renders AEP's Proposal In This Docket Moot.

On November 24, 2010 AEP-Ohio submitted an Application at the FERC proposing to change the basis for compensation for capacity costs to a cost-based mechanism and a proposed formula rate template under which AEP-Ohio would calculate their capacity costs under the

Reliability Assurance Agreement. AEP-Ohio alleged that this proposed change is necessary because there is no available state compensation mechanism for the recovery of these costs.¹

Prior to the filing of AEP-Ohio's Application at the FERC, the PUCO approved retail rates for AEP-Ohio that included the recovery of capacity costs through provider-of-last-resort ("POLR") charges to certain retail shopping customers, based upon the continuation of the current capacity charges established by the three-year capacity auction conducted by PJM under the current fixed resource requirement mechanism.² In an Order dated December 8, 2010, the PUCO clarified that it has adopted as the state capacity compensation mechanism for retail load that shops for competitive generation the capacity charge established by the three-year auction conducted by PJM in conjunction with the recovery by AEP-Ohio of capacity costs through the POLR charges.³

In Comments filed in this proceeding on January 6, 2011, OEG and other parties argued that the Commission's December 8, 2010 Order renders moot AEP-Ohio's FERC Application. On January 20, 2011, the FERC agreed holding that given PUCO's December 8, 2010 Order "*the Ohio Commission has adopted... a state mechanism*" for allocating capacity costs to retail load serving entities, "*and we therefore reject the AEP Ohio Companies' filing.*"⁴

The FERC rejected AEP-Ohio's proposal to recover capacity revenues beyond what it is already recovering. For this reason, and the reasons set forth in OEG's initial Comments, the Commission should deny the relief sought by AEP-Ohio in this Docket and this matter should be closed.

¹ See PUCO Case No. 10-2929-EL-UNC, Order (December 8, 2010), p. 1.

² See PUCO Case No. 10-2929-EL-UNC, Order (December 8, 2010), pp. 1-2.

³ PUCO Case No. 10-2929-EL-UNC, Order (December 8, 2010), p. 2.

⁴ FERC Docket No. ER11-2183-000; Order (January 20, 2011), p. 4, paragraph 8.

2. **The Commission Should Deny AEP-Ohio's Request For A Hearing.**

On January 20, 2011, AEP-Ohio filed a Motion requesting, among other things, that the Commission establish a procedural schedule for a hearing at the PUCO. AEP-Ohio explains that the FERC's rejection of AEP's Application to change the basis for compensation for capacity costs to a cost-based mechanism "*provides good cause to... establish an evidentiary hearing process to properly develop a full record for Commission consideration...*"⁵

AEP-Ohio's requests for a hearing process at the PUCO should be denied. The PUCO's December 8, 2010 Order and the FERC's January 20, 2011 Order considered all of AEP-Ohio's arguments concerning its requests for additional compensation and denied those requests. AEP has offered no additional evidence that demonstrates that it is entitled to increased State or federal rates. There is no compelling reason for further consideration of this matter. OEG recommends that the Commission deny AEP-Ohio's request for a hearing.

Respectfully submitted,



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February 7, 2011

⁵ PUCO Case No. 10-2929-EL-UNC, AEP-Ohio Motion (January 20, 2011), pp. 1-2.