BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

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

ENTRY

The Attorney Examiner finds:

(1) On November 1, 2010, American Electric Power Service Corporation (AEP), on behalf of Ohio Power Company and Columbus Southern Power Company (AEP-Ohio or the Companies), filed an application with the Federal Energy Regulatory Commission (FERC) in FERC Docket No. ER11-1995. At the direction of FERC, AEP refiled its application in FERC Docket No. ER11-2183 on November 24, 2010. The application proposes to change the basis for compensation for capacity costs to a cost-based mechanism and includes proposed formula rate templates under which the Companies would calculate their respective capacity costs under Section D.8 of Schedule 8.1 of the Reliability Assurance Agreement.

(2) On December 8, 2010, in the above noted docket, the Commission found that an investigation was necessary in order to determine the impact of the proposed change to AEP-Ohio's capacity charges (Capacity Charge Case). Consequently, the Commission sought public comments regarding the following issues: (1) what changes to the current state mechanism are appropriate to determine the Companies' fixed resource requirement capacity charges to Ohio competitive retail electric service (CRES) providers; (2) the degree to which AEP-Ohio's capacity charges are currently being recovered through retail rates approved by the Commission or other capacity charges; and (3) the impact of AEP-Ohio's capacity charges upon CRES providers and retail competition in Ohio. The Commission invited all interested stakeholders to submit written comments to the proceeding within 30 days of issuance of the entry and to submit reply comments within 45 days of the issuance of the entry.

(3) Subsequently, on January 27, 2011, AEP-Ohio filed an application for a standard service offer pursuant to Section 4928.141, Revised Code, in Case Nos. 11-346-EL-SSO, 11-348-EL-SSO, 11-349-EL-AAM, and 11-350-EL-AAM. The application was for approval of an electric security plan (ESP 2) in accordance with Section 4928.143, Revised Code.

(4) Comments and/or reply comments to the Capacity Charge Case were filed by AEP-Ohio, the office of the Ohio Consumers' Counsel, Ohio Partners for Affordable Energy, Industrial Energy Users-Ohio, Direct Energy Business, LLC, FirstEnergy Solutions Corp., Ohio Energy Group, and Constellation Energy Commodities Group, Inc. and Constellation NewEnergy. By entry issued August 11, 2011, a procedural schedule including a hearing was established in the Capacity Charge Case. Pursuant to the August 11, 2011, entry, written testimony was filed by AEP-Ohio.

(5) On September 7, 2011, the Companies, the Staff, and numerous other intervenors to the ESP 2 proceedings filed a Stipulation and Recommendation in the ESP 2 cases and several other AEP-Ohio cases, including the Capacity Charge Case, to resolve all the issues raised in the cases (Consolidated Stipulation). By entry issued September 16, 2011, the Capacity Charge Case was consolidated with several other AEP-Ohio proceedings, for the purpose of holding a hearing to consider the Consolidated Stipulation.

(6) On December 14, 2011, the Commission issued its Opinion and Order in the ESP 2 proceedings, adopting, with modifications, including modifications to the capacity set-aside provisions, the Consolidated Stipulation. In light of issues raised on rehearing, by Entry on Rehearing issued February 23, 2012, the Commission concluded that, even as modified, two provisions of the Consolidated Stipulation did not benefit ratepayers and the public interest and, therefore, the Commission rejected and disapproved the Consolidated Stipulation and the application, as modified. The Entry on Rehearing further directed that the ESP 2 cases go forward at the procedural point at which the Consolidated Stipulation was filed. Likewise, the associated AEP-Ohio proceedings that were consolidated with the ESP 2 cases for purposes of considering the Consolidated Stipulation

shall also go forward. Accordingly, AEP-Ohio's capacity charge application shall now be considered.

(7) On February 27, 2012, AEP-Ohio filed a motion for relief and a request for expedited ruling. By entry issued March 7, 2012, the Commission granted AEP-Ohio's request for interim relief and implemented the two-tier capacity pricing mechanism proposed by AEP-Ohio, subject to the clarifications contained in the Commission's January 23, 2012, entry. Consistent with that entry, the first 21 percent of each customer class, and all customers of governmental aggregations approved on or before November 8, 2011, including mercantile customers, shall be entitled to tier-one reliability pricing model (RPM) pricing. The second-tier charge for capacity shall be at $255.00/MW-day. The interim capacity charge mechanism will be in effect until May 31, 2012, at which point the rate for capacity under the state compensation mechanism shall revert to the current RPM in effect pursuant to the PJM Interconnection base residual auction for the 2012/2013 year.

(8) As directed by the Commission in its March 7, 2012, entry, the attorney examiner issues the following procedural schedule for hearing to develop an evidentiary record on a state compensation mechanism. Interested parties should develop an evidentiary record on the appropriate capacity cost pricing/recovery mechanism including, if necessary, the appropriate components of any proposed capacity cost recovery mechanism. Over six months ago, AEP-Ohio filed testimony in this proceeding. The Companies shall be afforded an opportunity to revise or update their testimony as appropriate. The procedural schedule in this case should be established as follows:

(a) AEP-Ohio testimony is due March 23, 2012;

(b) All motions to intervene and intervenor testimony, except Staff, is due March 30, 2012;

(c) A prehearing conference will be held on April 11, 2012; and

(d) The hearing will commence on April 17, 2012.

The April 11, 2012, prehearing conference shall be held at 9:30 a.m. in hearing room 11-D at the offices of the Commission, 180 East Broad Street, Columbus, Ohio. The April 17, 2012, hearing shall commence at 10:00 a.m. in hearing room 11-A at the offices of the Commission, 180 East Broad Street, Columbus, Ohio.

(9) In light of the time remaining before the commencement of the hearing, hereafter any memoranda contra a motion shall be required to be filed within five business days after the service of such motion and any reply memorandum within three business days after the service of a memorandum contra. Paragraph (B) of Rule 4901-1-07, Ohio Administrative Code, which permits three additional days to take action if service is made by mail, will not apply. The parties are directed to serve all pleadings on other parties to this proceeding by electronic mail, preferably, or in the event electronic mail is not feasible, by facsimile transmission.

(10) In addition, response time for discovery should be shortened to 10 days. Discovery requests and replies shall be served by hand delivery, electronic mail, or facsimile (unless otherwise agreed by the parties). An attorney serving a discovery request shall attempt to contact the attorney upon whom the discovery request will be served in advance to advise him/her that a request will be forthcoming (unless otherwise agreed by the parties). To the extent that a party has difficulty responding to a particular discovery request within the 10-day period, counsel for the parties should discuss the problem and work out a mutually satisfactory solution.

It is, therefore,

ORDERED, That the procedural schedule, as set forth in finding (8), be adopted. It is, further,

ORDERED, That the response time frames for responding to motions and for responding to discovery requests be shortened in accordance with findings (9) and (10). It is, further,

ORDERED, That a copy of this entry be served upon all parties of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO

By: Greta See
Attorney Examiner

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Entered in the Journal
MAR 14 2012

Barcy F. McNeal
Secretary