

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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

**MEMORANDUM CONTRA OF  
INTERSTATE GAS SUPPLY, INC. TO  
OHIO POWER COMPANY'S MOTION TO STRIKE**

Pursuant to the Attorney Examiner's March 14, 2012 Entry and Ohio Adm. Code 4901-1-12(B)(1), Interstate Gas Supply, Inc. ("IGS") responds to Ohio Power Company d/b/a AEP Ohio's ("AEP Ohio") motion to strike the Direct Testimony of Vincent Parisi.

AEP Ohio argues that Mr. Parisi's testimony is irrelevant and outside the limited scope of this proceeding. (Mot. to Strike at 1.) According to AEP Ohio, the testimony does not address the proposed capacity pricing mechanism, but instead raises the issue of collection risk, which AEP Ohio deems is beyond the scope of this case. (Mot. to Strike at 7.)

AEP Ohio ignores the history of this proceeding. The Commission opened this docket to determine the impact of AEP Ohio's proposed change to its capacity charges. Entry (Dec. 8, 2010) at Finding (5). It specifically sought comments to determine "the impact of AEP-Ohio's capacity charges upon CRES providers and retail competition in Ohio." *Id.* After the comment period, the attorney examiner requested the parties "to develop an evidentiary record on a state compensation mechanism," including "appropriate components of any proposed capacity cost recovery mechanism." Entry (Aug. 11, 2011) at Finding (6); Entry (Mar. 14, 2012) at Finding (8).

The issues raised in Mr. Parisi's testimony are within the scope of this proceeding. Mr. Parisi explains why an "appropriate component[]" of any proposed capacity cost recovery mechanism," *id.*, is a purchase of receivables ("POR") program. (Parisi Test. 4:1-22.) The

impact of increasing capacity charges directly correlates to an increased risk of CRES customers not paying their bills, resulting in a greater collection risk to CRES providers. (Parisi Test. 4:4-8.) How CRES providers deal with this increased risk is relevant. As Mr. Parisi explains, “A POR program would mitigate some of the adverse impact that AEP’s proposed rate increases will have on CRES suppliers and their customers.” (Parisi Test. 4:8-9.) A POR program would also mitigate increases in capacity charges and lower the bottom-line cost of shopping, which also makes it appropriate to consider in this proceeding. (*Id.* at 3, 5–7.)

As Mr. Parisi explains, in a non-POR market, suppliers must utilize credit standards that are often more stringent than those of the utility. (Parisi Test. 6:4-5.) With the increase in AEP’s capacity charges, suppliers will likely need to reevaluate these credit standards. Thus, a POR program would advance the policy in R.C. 4928.02(H) of ensuring “effective competition in the provision of retail electric service by avoiding anticompetitive subsidies,” as well as promote the “availability of unbundled and comparable retail electric service that provides consumers with the supplier, price, terms, conditions, and quality options they elect to meet their respective needs.” R.C. 4928.02(B).

For these reasons, a POR program would be an appropriate, mitigating component of any capacity cost mechanism. In the event, however, that the Commission determines that the POR issue is best considered elsewhere, the Commission should acknowledge IGS’s right to pursue this issue in another proceeding, including AEP Ohio’s electric security plan case.

For the reasons explained above, the Commission overrule AEP Ohio’s motion to strike and permit Mr. Parisi to testify.

Dated: April 16, 2012

Respectfully submitted,

/s/ Mark A. Whitt

Mark A. Whitt (Counsel of Record)

Melissa L. Thompson

WHITT STURTEVANT LLP

PNC Plaza, Suite 2020

155 East Broad Street

Columbus, Ohio 43215

Telephone: (614) 224-3911

Facsimile: (614) 224-3960

whitt@whitt-sturtevant.com

thompson@whitt-sturtevant.com

Vincent Parisi

Matthew White

Interstate Gas Supply, Inc.

6100 Emerald Parkway

Dublin, Ohio 43016

Telephone: (614) 659-5000

Facsimile: (614) 659-5073

vparisi@igsenergy.com

mswhite@igsenergy.com

ATTORNEYS FOR INTERSTATE GAS  
SUPPLY, INC.

## **CERTIFICATE OF SERVICE**

I hereby certify that a copy of the Memorandum Contra of Interstate Gas Supply, Inc. to Ohio Power Company's Motion to Strike was served by electronic mail to the following persons  
this 16th day of April, 2012:

greta.see@puc.state.oh.us  
Sarah.Parrot@puc.state.oh.us  
aehaedt@jonesday.com  
Amy.Spiller@duke-energy.com  
asim.haque@icemiller.com  
BarthRoyer@aol.com  
teven.beeler@puc.state.oh.us  
dboehm@BKLawfirm.com  
bpbarger@bcslawyers.com  
cendsley@ofbf.org  
christopher.miller@icemiller.com  
Dan.Johnson@puc.state.oh.us  
dane.stinson@baileycavalieri.com  
dakutik@jonesday.com  
dryan@mwncmh.com  
Dorothy.Corbett@duke-energy.com  
etter@occ.state.oh.us  
fdarr@mwncmh.com  
gwgarber@jonesday.com  
Gary.A.Jeffries@dom.com  
GRADY@occ.state.oh.us  
gregory.dunn@icemiller.com  
emma.hand@snrdenton.com  
haydenm@firstenergycorp.com  
Hisham.Choueiki@puc.state.oh.us  
smhoward@vorys.com  
jlang@calfee.com  
Jeanne.Kingery@duke-energy.com  
bowser@mwncmh.com  
joliker@mwncmh.com  
John.Estes@skadden.com  
kbowman@mwncmh.com  
murraykm@mwncmh.com  
Kim.Wissman@puc.state.oh.us  
lmcbride@calfee.com  
lkalepsclark@vorys.com  
whitt@whitt-sturtevant.com  
myurick@taftlaw.com

jmaskovyak@ohiopoverlylaw.org  
mjsatterwhite@aep.com  
mpritchard@mwncmh.com  
mswhite@igsenergy.com  
lmcaster@bricker.com  
mkurtz@bkllawfirm.com  
tallexander@calfee.com  
stnourse@aep.com  
Paul.Wight@skadden.com  
mhpeticoff@vorys.com  
ricks@ohanet.org  
drinebolt@ohiopartners.org  
rsugarman@keglerbrown.com  
sam@mwncmh.com  
sandy.grace@exeloncorp.com  
selisar@mwncmh.com  
small@occ.state.oh.us  
msmalz@ohiopoverlylaw.org  
tobrien@bricker.com>;  
VLeach-Payne@mwncmh.com  
zkravitz@taftlaw.com  
Werner.Margard@puc.state.oh.us  
John.Jones@puc.state.oh.us  
dconway@porterwright.com  
cmoore@porterwright.com  
yalami@aep.com

/s/ Mark A. Whitt

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One of the Attorneys for Interstate Gas  
Supply, Inc.

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Summary: Memorandum Contra of Interstate Gas Supply, Inc. to Ohio Power Company's Motion to Strike electronically filed by Ms. Melissa L. Thompson on behalf of Interstate Gas Supply, Inc.