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Via E-File

July 9, 2012

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

In re: 11-346-EL-SSO, 11-348-EL-SSO
11-349-EL-AAM, 11-350-EL-AAM

Dear Sir/Madam:

Please find attached the POST-HEARING REPLY BRIEF OF THE OHIO ENERGY GROUP for filing in the above-referenced matters.

Copies have been served on all parties on the attached certificate of service. Please place this document of file.

Respectfully yours,

David F. Boehm, Esq.
Michael L. Kurtz, Esq.
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BOEHM, KURTZ & LOWRY

MLKkew
Encl.
Cc: ALJ Greta See, Esq. (via electronic mail)
ALJ Jonathan Tauber, Esq. (via electronic mail)
Chairman Todd A. Snitchler (via overnight mail)
Commissioner Cheryl Roberto (via overnight mail)
Commissioner Steven D. Lesser (via overnight mail)
Commissioner Andre T. Porter (via overnight mail)
Commissioner Lynn Slaby (via overnight mail)
Eric Weldele, PUCO Chief of Staff (via overnight mail)
Certificate of Service

BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to §4928.143, Ohio Rev. Code, in the Form of an Electric Security Plan.	:	**Case No. 11-346-EL-SSO** **Case No. 11-348-EL-SSO**
	:	
In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Approval of Certain Accounting Authority	:	**Case No. 11-349-EL-AAM** **Case No. 11-350-EL-AAM**

REPLY BRIEF OF THE OHIO ENERGY GROUP

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REPLY BRIEF OF THE OHIO ENERGY GROUP

The Ohio Energy Group ("OEG") submits this Reply Brief in response to the initial briefs of parties addressing Rider IRP-D and the Retail Stability Rider proposed by Ohio Power Company ("AEP-Ohio" or "Company"). OEG also addresses issues arising from the July 2, 2012 Order of the Public Utilities Commission of Ohio ("Commission") in Case No. 10-2929-EL-UNC ("Capacity Order"). In the Capacity Order, the Commission established a cost-based capacity price of $188.88/MW-day for AEP-Ohio, but required AEP-Ohio to charge competitive retail electric service ("CRES") providers at current adjusted PJM Reliability Pricing Model ("RPM") prices. AEP-Ohio is permitted to defer recovery of the difference between the $188.88/MW-day cost-based price and the current adjusted RPM prices until after the proposed ESP period expires on May 31, 2015. The Commission indicated that it will establish a capacity deferral recovery mechanism in this proceeding.[1] OEG's recommendations regarding both the capacity deferral recovery mechanism and the issues already raised in this case are set forth below.

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[1] "PUCO establishes AEP capacity pricing system," Commission Press Release (July 2, 2012), *available at* http://www.puco.ohio.gov/puco/index.cfm/media-room/media-releases/puco-establishes-aep-capacity-pricing-system/

ARGUMENT

I. With Respect To The Cost Deferral Of Capacity Supplied To CRES Providers The Commission Should: 1) Exempt Reasonable Arrangement Customers Who Do Not Purchase Competitive Generation During The ESP Period From Deferral Repayment; 2) Allocate Any Deferred Capacity Costs On The Basis Of Demand; And 3) Require AEP-Ohio To Reduce The Deferred Capacity Costs By The Relevant Accumulated Deferred Income Tax Amounts.

A. The Commission Should Exempt Customers With Reasonable Arrangements Who Do Not Shop For Competitive Generation During The ESP Period From Being Charged For The Cost Deferral Of Capacity Supplied To CRES Providers.

The Commission should allow customers with approved reasonable arrangements who certify that they did not shop during the three-year ESP period to be exempt from repayment of AEP-Ohio's deferred capacity costs. Such customers should be exempted from paying for AEP-Ohio's deferred capacity costs because: 1) those customers did not cause any of the deferred capacity costs to be incurred nor did they benefit from the Commission directed RPM-based CRES capacity price; and 2) requiring those customers to pay for AEP-Ohio's deferred capacity costs would force them to subsidize CRES providers and their shopping customers and would upset the careful balance of interests established by their reasonable arrangements, frustrating the economic development objectives that those arrangements were intended to achieve.

The Commission may fairly allocate AEP-Ohio's deferred capacity costs to reasonable arrangements customers who voluntarily choose to forego the terms of their reasonable arrangement and shop during the three-year deferral period. But it would be improper for the Commission to allocate any deferred capacity costs to reasonable arrangement customers who can certify that did not shop during the deferral period. Reasonable arrangement customers who do not shop during the ESP period will not have caused any of the deferred capacity costs associated with shopping. Those customers will also receive no benefit from RPM-based capacity charges to CRES providers. Requiring such reasonable arrangement customers to pay for any deferred capacity costs would amount to an unjustified rate increase on those customers who choose not to or cannot shop, contrary to R.C. 4928.02(A). Additionally, the Commission would effectively punish those customers for adhering to the terms of their carefully negotiated contracts with AEP-Ohio.

The Commission should not upset the delicate balance achieved though such reasonable arrangements by forcing reasonable arrangement customers to pay for costs they neither cause nor benefit from. Such a decision would undermine the considerable investments those customers and other parties made in forming the reasonable arrangement. Such a decision would materially alter the value of the reasonable arrangement, which the parties entered into pursuant to their statutory right to do so as outlined in R.C. 4905.31. And such a decision could frustrate the economic development objectives of the reasonable arrangement or worse, adversely impact economic development in Ohio. Such an outcome would be contrary to state policy as outlined in R.C. 4928.02(N).

When it comes time to repay AEP-Ohio for the difference between its capacity cost of $188.88/MW-day and the RPM price, such repayment should come from those customers who actually shopped. These are the customers who will have benefited from up-front RPM pricing. If the deferral repayment is made non-bypassable and reasonable arrangement customers who have not shopped are required to pay the deferred capacity costs, then those reasonable arrangement customers will be forced to directly subsidize CRES providers and their shopping customers.

Right now, there are three reasonable arrangement customers of AEP-Ohio: Ormet, Eramet and Timken. These three energy-intensive customers are all trade-exposed with both national and international competition. These customers cannot afford to subsidize CRES providers and those who elect to shop. By most accounts, the capacity cost deferral is expected to reach about $700 million by the end of the ESP, without interest.[2] Timken represents about 2% of AEP-Ohio's total retail MWh sales. Without an exemption from the deferred capacity costs, Timken would be required to pay about

[2] *See e.g.* "AEP Can Charge Competitors, a Bit at a Time," Columbus Dispatch (July 3, 2012), *available at* http://www.dispatch.com/content/stories/business/2012/07/03/aep-can-charge-competitors-a-bit-at-a-time.html.

$14 million of the deferred costs, plus interest. The position of Ormet is even more extreme. Ormet is about 9% of AEP-Ohio's total retail MWh sales and therefore, its deferral repayment would be about $63 million, plus interest. There is no valid regulatory basis for heaping these massive repayment obligations on reasonable arrangement customers for a product they did not consume and doing so would be absolutely counter to the economic development efforts of the Commission and Jobs Ohio.

As a matter of pure principle, none of those who remain standard service offer ("SSO") customers and do not shop during the ESP period (including tens of thousands of non-shopping residential customers) should be required to repay the CRES capacity cost deferral. Exempting all SSO customers from deferred capacity costs would yield the same result as if the $188.88/MW-day was charged up front with no deferral. But such a broad exemption would be very difficult, if not impossible, to administer. The same is not true if the Commission makes a narrow exemption for the three large reasonable arrangement customers. Their accounts can be tracked easily. The Commission has already determined that these customers should be treated differently than others when it determined that reasonable arrangements with the utility were necessary and appropriate in the first place.

There is no valid reason to massively burden Ormet, Eramet and Timken with the repayment obligations of others totaling close to $100 million. On the contrary, such an unjustified burden on the Company's energy-intensive, trade-exposed industrial manufacturers would run counter to the economic development initiatives of this State and would constitute bad public policy. Therefore, the Commission should allow customers with approved reasonable arrangements who certify that they did not shop during the three-year capacity cost deferral period to be exempt from charges for AEP-Ohio's deferred capacity costs.

B. The Commission Should Allocate Any Deferred Capacity Costs On A Demand Basis Among All Rate Schedules.

Because the costs that AEP-Ohio is allowed to defer are capacity-related costs, the Commission should allocate and recover any deferred capacity costs on the basis of demand. Capacity obligations within the AEP-Ohio load zone are assigned to load-serving entities on the basis of their contributions to PJM's 5 coincident peaks, also known as a "5 CP" basis. Accordingly, it is appropriate for the Commission to require AEP-Ohio first to allocate any deferred capacity costs to rate schedules on the basis of each rate class' contribution to the 5 PJM coincident peaks. Then, the Commission should require AEP-Ohio to allocate and recover the deferred capacity costs within demand-metered rate classes on the basis of demand and to allocate and recover the deferred capacity costs within the non-demand-metered rate classes on a kWh basis.

This allocation methodology would not be difficult for AEP-Ohio to administer. It would simply result in a different deferral repayment charge by rate schedule. This is the result that would have occurred had the $188.88/MW-day been charged to CRES providers in the first place. Recreating that same result through the deferral collection methodology is therefore appropriate.

The Commission should reject any proposal that the deferred balance should be repaid by a uniform per kWh charge. While this would be simple, it would also be wrong. Such a methodology would improperly punish the high load factor customers, both large and small, in both the commercial and industrial rate classes. Such high load factor customers include most members of OEG and IEU-Ohio, many members of OMA Energy Group, Kroger, Wal-Mart, the Ohio hospitals and other intervenors in this case. The effective result of a uniform per kWh deferral repayment would be that, instead of all shopping customers being charged $188.88/MW-day, the high load factor customers would be charged more and the low load factor customers less. There is no regulatory or policy reason for such discrimination.

C. The Commission Should Require AEP-Ohio To Reduce Any Deferred Capacity Costs By The Relevant Accumulated Deferred Income Tax Amounts.

The Commission should require AEP-Ohio to reduce any deferred capacity costs by the relevant accumulated deferred income tax ("ADIT") during the recovery period so that the carrying costs reflect the Company's actual financing costs.

ADIT represents a reduction in the income taxes paid by AEP-Ohio. During the deferral period, AEP-Ohio will deduct the capacity expenses as they are incurred for income tax purposes, but will not have any matching revenue (income) to be taxed because the Commission deferred the recovery of that revenue from AEP-Ohio's customers. Accordingly, the Company will receive income tax savings during the deferral period. These income tax savings will reduce the amount of the deferred capacity costs that have to be financed and thus, should reduce the carrying costs that must be recovered in order for the Company to be made whole. Conversely, during the recovery period, AEP-Ohio will receive revenue from recovery of the deferred capacity costs, but will have no deductions against that income. Hence, only during the recovery period will the Company pay the income taxes that they did not pay during the deferral period. In essence, the federal and state governments provided interest free loans during the deferral period that will only be paid back during the recovery period.

This means that the Company will not have to finance the entire amount of the deferred capacity costs. Instead, the Company will finance the amount of deferred capacity costs minus (or "net-of") the income tax savings gained during the deferral period. Consequently, the Commission should require AEP-Ohio to reduce the deferred capacity costs by the relevant amount of ADIT during the recovery period when computing the carrying costs on the unamortized deferred capacity costs. This method correctly and accurately reflects the actual financing costs that the Company incurs on the unrecovered and unamortized deferred capacity costs until the principal amounts of the deferred capacity costs are fully recovered by the Company.

R.C. 4928.144 provides:

> *"The public utilities commission by order may authorize any just and reasonable phase-in of any electric distribution utility rate or price established under sections 4928.141 to 4928.143 of the Revised Code, and inclusive of carrying charges, as the commission considers necessary to ensure rate or price stability for consumers. If the commission's order include such a phase-in, the order also shall provide for the creation of regulatory assets pursuant to generally accepted accounting principles, by authorizing the deferral of incurred costs equal to the amount not collected, plus carrying charges on that amount."*

The statute requires the Commission to authorize carrying charges on the amount of costs deferred as a result of a Commission decision to phase-in rates in a manner consistent with generally accepted accounting principles ("GAAP"). AEP-Ohio is required by GAAP to record the ADIT to reflect such income tax savings. Accordingly, R.C. 4928.144 requires the Commission to use an accurate reflection of the deferred costs actually incurred by AEP-Ohio to calculate carrying charges.

The $188.88/MW-day rate is a cost-based rate established by the Commission. Consequently, the Commission should require AEP-Ohio to reduce the deferred capacity costs by the relevant amount of ADIT during the recovery period consistent with GAAP and traditional cost-of-service principles used to develop cost-based rates. Otherwise, AEP-Ohio will be paid more than its actual costs for providing capacity to CRES providers, and consumers will be correspondingly overcharged.

II. The Commission Should Reject The Proposed Retail Stability Rider In Light Of The July 2, 2012 Order Establishing A Cost-Based State Capacity Compensation Mechanism.

AEP-Ohio proposed that the Commission establish a Retail Stability Rider ("RSR") as a type of revenue decoupling mechanism that will replace a portion of the revenue that the Company argues will be lost as customers shop and their revenues are replaced with revenues from CRES providers.[3] But the Commission's Capacity Order now renders AEP-Ohio's proposed RSR unnecessary. In adopting the cost-based capacity number of $188.88/MW-day, the Commission stated:

[3] AEP-Ohio Ex. 116, Direct Testimony of William A. Allen (March 30, 2012)("Allen Testimony") at 13:2-15.

"The Commission believes that the approach that we adopt today appropriately balances our objectives of enabling AEP-Ohio to recover its costs for capacity incurred in fulfilling its FRR capacity obligations, while promoting the further development of retail competition in the Company's service territory."[4]

Since AEP-Ohio will now receive cost-based compensation for the capacity costs associated with shopping, and the RSR was primarily directed at compensating AEP-Ohio for such costs, the RSR is now unnecessary. In light of the Capacity Order, approval of the RSR would result in a windfall to AEP-Ohio by compensating the Company above its costs.

Eliminating the RSR in light of the cost-based state compensation mechanism of $188.88/MW-day is an extremely important issue. The RSR would add significant revenue directly to the Company's bottom line. The RSR is projected to yield $44.1 million in the 2012/13, $102.9 million in the 2013/14, and $137.2 million in the 2014/15 planning years, respectively.[5] These revenues would be in addition to a cost-based capacity charge to CRES providers and would, by definition, over compensate AEP-Ohio.

Wall Street certainly believes that finances of AEP-Ohio are secure in light of the Capacity Order, even without an RSR.[6] Approving the RSR would truly be a windfall to AEP-Ohio.

Despite all of this there could be one valid reason to approve the RSR. The only legitimate function of the RSR would be as a mechanism to improve the Company's cash flow during the deferral period while simultaneously reducing the deferral balance. This could be accomplished by charging shopping customers only (not SSO customers) the RSR and requiring AEP-Ohio to credit (reduce) the deferral balance by the RSR revenues. This would partially address the concerns expressed by Commissioner Roberto in her dissent. If such use of the RSR is approved, then we must reiterate an important point discussed at length in our initial brief: the RSR is a form of compensation to AEP-Ohio for providing capacity to CRES providers and therefore should not be charged to SSO load.

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[4] Capacity Order at 24.
[5] Kollen Testimony at 13:1-5 (citing Ex. WAA-6).
[6] "American Electric Power Stock Rating Upgraded by Morgan Stanley," Jags Report (July 3, 2012), *available at* http://www.jagsreport.com/2012/07/american-electric-power-stock-rating-upgraded-by-morgan-stanley-aep/.

III. Parties Have Failed To Present A Valid Reason Why The Commission Should Not Approve AEP-Ohio's Proposed Rider IRP-D.

The Commission should approve AEP-Ohio's proposed Rider IRP-D with an associated interruptible credit of $8.21/kW-month. The initial briefs of parties in this case reflect little direct opposition to the establishment of proposed Rider IRP-D or an interruptible credit. Rather, parties express secondary concerns regarding Rider IRP-D. These concerns are either unsupported or are insufficient to justify rejection of the Company's proposal.

A. The Commission Should Reject Staff's Recommendations Regarding Rider IRP-D For Lack Of Support And Because The Methodology Recommended By Staff Is Flawed And Is Now Outdated In Light Of The Capacity Order.

Staff supports establishing proposed Rider IRP-D during the ESP period, but would prefer a lower interruptible credit, the offering of interruptible service through reasonable arrangements, and limits on the amount of interruptible service as a part of economic development.[7] Staff provides only a cursory explanation of its recommendations regarding IRP-D and provides little to no evidence as to why those recommendations are reasonable. In contrast, OEG provided detailed support for the adoption of the proposed IRP-D and the associated interruptible credit of $8.21/kW-month.[8]

Moreover, multiple parties, including OEG, pointed out Staff's conceptual error in recommending that the Commission base the interruptible credit received by SSO customers (who, by definition, cannot shop) on the capacity price paid by CRES providers to serve shopping load. AEP-Ohio explained why such a methodology is improper:

> "*In calculating his figure Mr. Scheck improperly relied on the price of capacity paid by shopping customers as the basis for determining the interruptible credit, despite recognizing that only non-shopping customers are eligible for taking interruptible service...Because non-shopping customers pay a price for capacity that reflects the Company's fully embedded costs and because only non-shopping customers are eligible*

[7] Initial Post-Hearing Brief of the Staff of the Public Utilities Commission of Ohio (June 29, 2012) ("Staff Brief") at 21-22.
[8] Post-Hearing Brief of the Ohio Energy Group (June 29, 2012) ("OEG Brief") at 11-21.

for interruptible service, Mr. Scheck's calculation of the credit utilizing a discounted price for capacity is inappropriate and should be rejected."[9]

Ormet Primary Aluminum Corp. ("Ormet") also highlights Staff's error, stating that "[i]*t would be illogical to reduce the IRP-D credit for SSO customers based on a reduction in capacity prices seen only by shopping customers*."[10] OEG pointed out the same flaws in Staff's reasoning in our Initial Brief at pages 16-18.

Even if the Commission were to improperly reduce the level of the proposed interruptible credit based upon the capacity price paid by CRES providers, Staff's recommended interruptible credit of \$3.34/kW-month is now outdated in light of the Commission's Capacity Order, which established a cost-based capacity price of \$188.88/MW-day, not the \$146.41/MW-day price recommended by Staff in that case.[11] Staff's methodology for calculating the interruptible credit is flawed and should not be adopted by the Commission.

Staff also fails to provide sufficient support or explanation for its recommendation that SSO interruptible service should be offered as part of a reasonable arrangement rather than as a tariff service.[12] As explained in detail in OEG's initial brief, Staff's sweeping recommendation is contrary to Ohio law and Commission precedent, raises due process concerns, and is impractical.[13] EnerNOC, Inc. ("EnerNOC") offers a similar recommendation to Staff's, which should likewise be rejected for the same reasons.[14]

[9] Ohio Power Company's Initial Post-Hearing Brief (June 29, 2012) ("AEP-Ohio Brief") at 33.
[10] Post-Hearing Brief of Ormet Primary Aluminum Corporation (June 29, 2012) ("Ormet Brief") at 21.
[11] Opinion & Order, Case No. 10-2929-EL-UNC (July 2, 2012) at 33.
[12] Staff Brief at 22.
[13] OEG Brief at 19-21.
[14] Post-Hearing Brief of EnerNOC, Inc. ("EnerNOC Brief") at 7-8.

B. The Commission Should Disregard EnerNOC's Mischaracterization Of AEP-Ohio's Interruptible Program And Address EnerNOC's Concerns Regarding The Bidding Of Interruptible Resources Into Future PJM Auctions In A Separate Proceeding.

The Commission should reject EnerNOC's mischaracterization of the interruptible program as a "subsidized program."[15] In fact, customers taking service under AEP-Ohio's interruptible tariffs receive lower quality power.[16] Such customers can be interrupted with 10 minutes notice in the case of emergencies and can be interrupted for any reason on any economic (non-emergency) basis.[17] And AEP-Ohio's interruptible program is more restrictive than FirstEnergy's program, which is based upon the PJM tariff.[18] The additional restrictions under AEP-Ohio's program can increase system reliability.[19] Because AEP-Ohio's interruptible program is more restrictive than what is required to participate in the PJM market, it makes sense that the interruptible credit offered to AEP-Ohio's non-shopping SSO customers is not calculated based on the PJM program that is available to customers of CRES providers. The Commission should therefore disregard EnerNOC's concerns regarding the level of the interruptible credit.[20]

Significant benefits are provided to all customers as a result of certain customers agreeing to take lower quality service and participate in AEP-Ohio's interruptible program. By voluntarily committing to interrupt their service upon 10 minutes notice for emergencies and for any reason for economic interruptions, interruptible customers provide benefits to all customers by lowering generation prices as well as providing AEP-Ohio the flexibility necessary to maintain system reliability. The interruptible program is also used to meet AEP-Ohio's energy efficiency and peak demand reduction benchmarks under R.C. 4928.66 and to advance economic development goals in furtherance of state policy.[21]

[15] EnerNOC Brief at 8.
[16] Tr. Vol. IV (May 22, 2012) at 1126:6-10.
[17] Direct Testimony of Stephen J. Baron (May 4, 2012) ("Baron Testimony") at 7:17-8:5.
[18] Baron Testimony at 8:2-5.
[19] Baron Testimony at 8:2-5.
[20] EnerNOC Brief at 7.
[21] Baron Testimony at 5:22-7:6.

EnerNOC itself acknowledges that "*promoting economic development is – and should be – one of the highest priorities of the State.*"[22]

OEG would also note that EnerNOC filed no testimony to support the position it now advances in this portion of the proceeding. In fact, EnerNOC supported the now rejected September 7, 2011 Stipulation, which included an interruptible rider with an $8.21/kW-month interruptible credit. EnerNOC's last-minute attack on AEP-Ohio's interruptible program is unfounded, contrary to positions it previously espoused, and seems primarily aimed at increasing EnerNOC's potential market share of demand response resources. By reducing the level of the interruptible credit offered by AEP-Ohio, EnerNOC can reduce customer incentives to participate in AEP-Ohio's program and potentially attract new customers to its own program. EnerNOC's self-serving motives are clear.

EnerNOC does raise a legitimate concern that Rider IRP-D may lead to the withholding of AEP-Ohio's interruptible resources from future PJM Base Residual Auctions ("BRA").[23] But this outcome is a result of timing issues, and is not a necessary result of AEP-Ohio's interruptible program itself. Rider IRP-D would expire at the end of the proposed ESP period – May 31, 2015. The next PJM BRA is for the 2016/2017 delivery year. Without certainty that its interruptible program will continue and its interruptible resources will be available beyond the ESP period and into the 2016/2017 PJM delivery year, it would be unreasonable for AEP-Ohio to bid interruptible resources into that auction.

OEG supports the bidding of AEP-Ohio's interruptible resources into future PJM BRAs. But there is a better solution to this issue than to modify or reject AEP-Ohio's proposed Rider IRP-D and associated interruptible credit. The Commission can remedy this issue simply by extending the term of Rider IRP-D beyond the proposed ESP period. The Commission does not need to make such a finding in this ESP case, but the Commission should find an opportunity to consider and resolve this issue prior to the next PJM auction in May 2013. The same issue is being addressed on the FirstEnergy system, and

[22] EnerNOC Brief at 7.
[23] EnerNOC Brief at 11.

the resolution should be the same. The Commission should address the issue of bidding interruptible load into the PJM BRA in a separate proceeding to be concluded prior to May 2013.

C. The Commission Should Reject OCC's And APJN's Attempt To Effectively Eliminate Rider IRP-D.

The Office of the Ohio Consumers' Counsel and the Appalachian Peace & Justice Network ("OCC/APJN") argue that the Commission should not allocate costs of the interruptible credit under Rider IRP-D to non-participating customers.[24] The Commission should reject OCC/APJN's attempt to effectively eliminate the interruptible program. AEP-Ohio correctly notes that "[a]*ll customers, whether directly (by receiving a credit for taking interruptible service) or indirectly (by paying lower rates and receiving more reliable service) benefit from the existence of interruptible service offerings.*"[25] Consequently, it is reasonable that all customers, whether participating or non-participating, contribute to AEP-Ohio's interruptible program.[26] Further, forcing only the participating customers to pay for the costs of the interruptible program is circular and would kill the program. If an interruptible customer that received a one dollar credit was charged the same one dollar, then the net impact is zero and there would be absolutely no reason for a customer to participate. Under this logic, no energy efficiency or peak demand reduction cost would ever be socialized. Instead, such costs would be paid by the participating customer with the same circular result of killing any incentive to participate.

OCC/APJN also express concern that AEP-Ohio has not prepared a forecast of the impact of any proposed increase in the interruptible credit on the RSR.[27] But if the Commission rejects the proposed RSR, as it should in light of the Capacity Order, the Commission can disregard OCC/APJN's concern.

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[24] OCC/APJM Brief at 56.
[25] AEP-Ohio Brief at 33.
[26] OCC/APJN Brief at 55.
[27] Initial Post-Hearing Brief by the Office of the Ohio Consumers' Counsel and the Appalachian Peace and Justice Network ("OCC/APJN Brief") at 20 and 54-56.

Even if the Commission approves the RSR, the costs of the increased interruptible credit of \$8.21/kW-month should not be recovered through the RSR, but instead should be recovered through a more appropriate cost recovery mechanism. As OEG recommended in its initial brief, it is more appropriate for AEP-Ohio to recover the costs of the increased interruptible credit through its Energy Efficiency and Peak Demand Reduction Cost Recovery Rider ("EE/PDR Rider"). OMA Energy Group echoes OEG's recommendation, stating:

> "*The Commission should also approve AEP-Ohio's Rider IRP-D with a credit level of \$8.21 per kW-month without it being contingent upon approval of the RSR.... There is no good reason to make the IRP-D credit contingent on the approval of the RSR except to hold it hostage. This is unreasonable and could be avoided by recovering the incremental difference in the credit amount through either the energy efficiency rider or even the economic development rider.*"[28]

IEU-Ohio goes one step further, arguing that AEP-Ohio is in fact required to collect the increased costs associated with the interruptible credit through its EE/PDR Rider. IEU states "[t]*he EE/PDR Stipulation requires AEP-Ohio to collect any lost revenue that results from the IRP-D credit through the Commission approved EE/PDR Rider.*"[29]

Proposed Rider IRP-D enjoys broad support among parties to this proceeding. In addition to OEG, supporters include AEP-Ohio, Ormet Primary Aluminum Corporation, IEU-Ohio and OMA Energy Group.[30] Rider IRP-D and the proposed increase in the interruptible credit are reasonable and provide significant benefits to all customers and to the state. Therefore, the program should be approved.

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[28] OMA Energy Group Brief at 21.
[29] IEU-Ohio Brief at 68.
[30] AEP-Ohio Brief at 32-34; Ormet Brief at 21-22; Post Hearing Brief of the OMA Energy Group at 21.

CONCLUSION

WHEREFORE, for the foregoing reasons, the Commission should adopt OEG's recommendations in this proceeding.

Respectfully Submitted,

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July 9, 2012

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