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Via E-File

January 8, 2013

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

In re: Case Nos. 12-3254-EL-UNC

Dear Sir/Madam:

Please find attached the OBJECTIONS OF THE OHIO ENERGY GROUP for filing in the above-referenced matter.

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

Respectfully yours,



Michael L. Kurtz, Esq.
Kurt J. Boehm, Esq.
Jody Kyler Cohn, Esq.
BOEHM, KURTZ & LOWRY

MLKkew
Encl.

Cc: ALJ Jonathan Tauber, Esq. (via electronic mail)
ALJ Sarah Parrot, Esq. (via electronic mail)
Certificate of Service

**BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Ohio Power :
Company to Establish a Competitive Bidding : **Case No. 12-3254-EL-UNC**
Process for Procurement of Energy to Support its :
Standard Service Offer :

**OBJECTIONS OF THE
THE OHIO ENERGY GROUP**

The Ohio Energy Group (“OEG”) submits the following Objections to Ohio Power Company’s (“AEP Ohio”) Application in this proceeding. In its Application, AEP Ohio suggests that the Commission “*establish a comment process for considering ‘step one’ auction issues now with the ‘step two’ retail rate issues to be considered subsequently as part of a separate round of comments.*”¹ AEP Ohio proposes that the Commission postpone incorporating “retail rate issues” into this proceeding until an entry on rehearing is issued in the AEP Ohio Electric Security Plan (“ESP”) proceeding.² For the following reasons, the Commission should reject AEP Ohio’s proposal and allow all issues associated with AEP Ohio’s proposed competitive bidding process (“CBP”) to be addressed on the same timeline.

Contrary to AEP Ohio’s claim,³ some “retail rate issues” associated with the proposed CBP are not separate and distinct from the wholesale auction issues. In fact, the Commission’s determination regarding arguments that AEP Ohio may characterize as “retail rate issues” could substantially impact the wholesale auction procurement process. For example, during the stakeholder process, OEG suggested two important revisions to AEP Ohio’s CBP:

¹ Application at 9.

²² Application at 3 (“*AEP Ohio plans to subsequently incorporate the retail rate matters into this CBP proceeding after the Commission issues its rehearing decision.*”); Application at 9 (“*...the Commission should assure stakeholders up front that the retail rate issues will be taken up separately after the rehearing decision is issued – and order commenters to hold their comments about the retail rate issues until that second phase of comments...*”).

³ Application at 9.

- The starting price for the descending clock energy-only auctions for each AEP Ohio rate zone should be the forecasted Fuel Adjustment Clause (“FAC”) rate that customers would otherwise pay. Establishing the forecasted FAC rate for the Ohio Power and Columbus Southern rate zones as the “price to beat” will guard against a self-imposed and unnecessary rate increase on AEP Ohio’s SSO customers. Paying the average embedded cost for capacity entitles SSO customers to average cost energy. Consequently, the auction results should only be accepted where marginal cost energy (market) is less expensive than the average cost FAC energy rate. Because AEP Ohio is allowed to participate in its own auctions, setting the forecasted FAC as the auction starting prices will prevent a situation where the same utility provides the same energy to the same customers, but at a higher price.
- Because the Commission decided to maintain separate FAC rates for the Ohio Power (“OP”) and Columbus Southern Power (“CSP”) rate zones during the term of the ESP, the energy-only auctions approved by the Commission should likewise be held separately for each rate zone. This is because the “price to beat” differs significantly for each rate zone. For high voltage customers, the FAC rate for the OP rate zone is \$30.87/MWh. The corresponding FAC rate for the CSP rate zone is \$36.98/MWh. Hence, the FAC rate for CSP customers is approximately \$6/MWh higher than OP’s rate. This approximately \$6/MWh difference between rate zones also applies to the FAC rates of secondary and primary voltage customers.⁴ Consequently, if the energy-only auctions are not held separately for each rate zone, then the auction clearing price may lead to unreasonably high energy rates for OP customers.

AEP Ohio characterizes OEG’s second recommendation as a “retail rate issue” and may say the same of its first recommendation.⁵ However, even accepting such a characterization *arguendo*, both of these recommendations must be addressed prior to AEP Ohio conducting its wholesale auctions. Not only the starting price for the auctions, but the actual number of SSO auctions ultimately held may be altered by the Commission’s determination on these issues. And if the Commission ultimately accepts OEG’s recommendations, the proposed CBP documents would need to be revised to incorporate the Commission’s decision.⁶ Accordingly, since the contents of the proposed CBP documents may be altered as a result of the Commission’s ultimate decisions on “retail rate issues,” it makes sense to address all issues associated with AEP Ohio’s CBP on the same timeline.

Additionally, AEP Ohio’s assertion that the “retail rate issues” associated with its proposed CBP “have already been fully briefed,” and therefore will be addressed by the Commission in its entry on

⁴ OP’s FAC rate for Secondary customers is \$32.63/MWh and CSP’s FAC rate for such customers is \$39.09/MWh. OP’s FAC rate for Primary customers is \$31.50/MWh and CSP’s FAC rate for such customers is \$37.73/MWh.

⁵ Application at 3 (citing Propositions 4 of OEG’s Application for Rehearing in the ESP Proceeding).

⁶ For example, the proposed Bidding Rules currently provide that four auctions will be held under the CBP. Separate energy-only auctions for each AEP Ohio rate zone may change that number. Application, Exhibit A at 2, Section I.2.2.

rehearing in the ESP proceeding, is inaccurate.⁷ AEP Ohio is correct that OEG's second recommendation, holding separate auctions for each AEP Ohio rate zone, appeared in its application for rehearing in the ESP proceeding. But its first recommendation, regarding the auction starting price, was not addressed at all in that pleading. This is a new recommendation raised solely to assist in the development of the CBP initiated by the Commission's August 8, 2012 Order in the ESP case. In making this recommendation, OEG does not request rehearing of any portion of the Commission's ESP Order, but instead seeks to move forward with the Commission's determination in that Order. Hence, that recommendation will not be addressed in the Commission's entry on rehearing in the ESP case and is appropriately addressed in this proceeding on the same timeline as the proposed CBP documents.

Given that some of the "retail rate issues" associated with AEP Ohio's proposed CBP could significantly impact the wholesale auction procurement process, the Commission should not separate this proceeding into two phases, as AEP Ohio suggests. Moreover, allowing all issues associated with the proposed CBP to be addressed on the same timeline is a more efficient approach than the one suggested by AEP Ohio. And such an approach does not hold certain issues associated with AEP Ohio's CBP hostage until the Commission issues an entry on rehearing in the ESP proceeding.

Respectfully submitted,



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January 8, 2013

COUNSEL FOR THE OHIO ENERGY GROUP

⁷ Application at 9.

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 8th day of January, 2013 to the following:



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Summary: Objection Ohio Energy Group (OEG) Objections electronically filed by Mr. Michael L. Kurtz on behalf of Ohio Energy Group