



Legal Department

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January 9, 2013

The Honorable Sarah Parrot
Attorney Examiner
Public Utilities Commission of Ohio
180 East Broad Street
Columbus Ohio 43215-3793

Re: *In the Matter of the Application of Ohio Power Company*,
Case No. 12-3254-EL-UNC

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Dear Ms. Parrot:

On December 21, 2012, Ohio Power Company (AEP Ohio) filed an Application to establish a competitive bidding process for procurement of energy to support its standard service offer. On January 8, 2013, the Ohio Energy Group (OEG) filed objections in response to the Application.

In its objections, OEG again raises two positions that it had previously advanced on rehearing in AEP Ohio's Electric Security Plan cases (Case Nos. 11-346-EL-SSO *et al.*): (i) the energy auction should be conducted separately for AEP Ohio's two rate zones, and (ii) the energy auctions should use a starting price equal to the forecasted FAC rate for the rate zone. OEG disputes (at 1) that some of the retail rate issues are separate and distinct from the wholesale auction issues presented in the Application and then asserts (at 2) that its two proposals "must be addressed prior to AEP Ohio conducting its wholesale auctions." From this, OEG recommends (at 3) that "the Commission should not separate this proceeding into two phases, as AEP Ohio suggests." AEP Ohio would like to clarify its procedural proposal and briefly address OEG's objections.

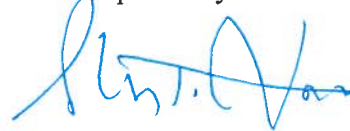
AEP Ohio's Application suggested (at 9) that "[d]epending on the timing of the Commission's *ESP II* rehearing decision, the Commission may wish to establish a comment process for considering the 'step one' auction issues now with the 'step two' rate issued to be considered subsequently as part of a separate round of comments." The Application went on to note (at 9) that time is of the essence and suggested that, in setting up a two-stage comment process, 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 (especially since those matters are pending on rehearing and have already been fully briefed under the Commission's rules)." OEG responded by, once again, unfairly repeating its substantive rehearing positions without awaiting issuance of a

procedural entry. Nevertheless, AEP Ohio wishes to again urge the Commission to pursue a two-stage comment process.

OEG's concern that its two issues must be addressed prior to conducting the auctions and that the CBP documents might change if the Commission agrees with OEG is a "red herring" that should not derail the Company's proposed two-stage comment process. The Company's proposal was simply to move forward now on as many issues as possible, without enabling parties to reargue their *ESP II* rehearing positions while the rehearing decision remains pending. As demonstrated by the above quotations from the Application, AEP Ohio obviously never envisioned a decision in the case, let alone conducting the auctions, prior to the "step two" rate issues being addressed – its proposal was based on efficiency and recognizes that time is of the essence. AEP Ohio acknowledges that OEG's two issues could relate back to the competitive bidding process, depending on how the Commission decides them; but that does not prevent the Commission from establishing a two-step comment process as proposed by the Company. Once the *ESP II* rehearing decision is made, the "step two" rate issues can be finalized (as well as any spillover on the "step one" CBP issues) – all prior to reaching a decision on the application and prior to actually conducting the auctions. As AEP Ohio committed to in the Application (at 3), upon receiving the Commission's *ESP II* rehearing decision "AEP Ohio plans to file an amendment or supplement to this Application in a manner consistent with the decision." The vast bulk of the competitive bidding process issues can be addressed now in comments and bear no relationship to the *ESP II* rehearing issues.

The Commission should proceed to establish a comprehensive two-stage comment cycle that collects stakeholder input into the proposed competitive bidding process as soon as possible.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to be "S. Parrot", written in a cursive style.

cc: Parties of Record

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1/9/2013 3:26:27 PM

in

Case No(s). 12-3254-EL-UNC

Summary: Correspondence to Attorney Examiner in reference to Case 12-3254-EL-UNC electronically filed by Mr. Steven T Nourse on behalf of Ohio Power Company