

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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

INITIAL COMMENTS OF INDUSTRIAL ENERGY USERS-OHIO

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I. INTRODUCTION

Ohio Power Company (“AEP-Ohio”) proposes an auction format described as a descending clock auction with multiple rounds in which the bidders in each round will state the number of tranches that they are willing to bid for each product in the auction, and that price decrements for each subsequent round will be provided to the bidders prior to the auction. Additionally, AEP-Ohio has proposed to unbundle the Fuel Adjustment Clause (“FAC”). Absent from the summary of the auction process is any indication of a price limit or reserve that governs the opening level of bidding. Because the structure of the proposed auction could lead to increased Standard Service Offer (“SSO”) rates, the Public Utilities Commission of Ohio (“Commission”) should adopt modifications to the auction to require an opening bid price cap.

II. NEED FOR AN OPENING BID PRICE CAP

As was apparent in the modified electric security plan (“ESP II”) hearings and the materials provided by AEP-Ohio for the first meeting concerning the design of the competitive bidding process (“CBP”), AEP-Ohio indicated it plans to flow the costs of the energy-only bid through the FAC and make no other changes to base SSO rates for

distribution, transmission and generation. It subsequently proposed to unbundle the FAC into fixed/non-energy and variable/energy rate components.¹ Regardless of the design, the only way that the limited energy-only SSO bid will not require an overall price increase to SSO customers is if the cleared bid price is lower than AEP-Ohio's expected FAC rate. Without such a limit or reserve price cap set at the projected FAC rates, the auction may produce results that increase the price of the SSO that is authorized in the *AEP-Ohio ESP II Order*.²

AEP-Ohio's recent proposal to unbundle the FAC does not appear to have any customer benefits. AEP-Ohio does not provide any rationale to support its unbundling proposal other than to point out that the current FAC contains both energy and non-energy costs. The effect of its recommendation, however, is clear. AEP-Ohio seeks to require non-shopping customers to continue to pay for what AEP-Ohio claims are non-energy costs embedded in the current FAC. Although they will be receiving a portion of their energy from the CBP, the non-shopping customers will continue to be responsible for all non-energy costs currently embedded in the FAC. Directionally, AEP-Ohio's recommendation will increase the likelihood that the blended price will not reduce the SSO rates produced by the CBP.

In light of the concerns raised above, Industrial Energy Users-Ohio ("IEU-Ohio") recommends that the opening round bid price be set at a level no higher than the average expected FAC rate over the term of the product being bid upon.

¹ Supplement to Application at 3 (Feb. 11, 2012).

² *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, et al., Opinion and Order (Aug. 8, 2012) ("AEP-Ohio ESP II Order").*

III. CONCLUSION

According to the Commission, the move to a CBP would prove “invaluable.”³ Unless the Commission takes action to set a proper opening bid price cap, the results of the auction could result in further rate increases to non-shopping customers. The “invaluable benefits” of a faster move to an auction based SSO will be lost on those customers who will pay the higher toll.

Respectfully submitted,

s/ Frank P. Darr

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³ *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, et al., Entry on Rehearing at 11 (Jan. 30, 2013).*

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing *Initial Comments of Industrial Energy Users-Ohio* was served upon the following parties of record this 4th day of March, 2013 via hand-delivery, electronic transmission, or first class mail, U.S. postage prepaid.

/s/ Frank P. Darr

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