

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In The Matter of the Application of Ohio)
Power Company for Approval of Full Legal) Case No. 12-1126-EL-UNC
Corporate Separation and Amendment to its)
Corporate Separation Plan.)

COMMENTS OF THE OMA ENERGY GROUP

I. INTRODUCTION

On October 4, 2013, AEP Ohio (AEP Ohio or the Company) filed an application to amend its corporate separation plan (Application). In its Application, AEP Ohio indicates that it has been unable, in the past year, to transfer certain contractual entitlements, namely, its contractual entitlements to purchase power from generating resources owned by Ohio Valley Electric Corporation (OVEC), in which AEP Ohio is a joint owner, to AEP Generation Resources, Inc. (AEP Genco), as directed by the Commission's October 17, 2012 Finding and Order. Consistent with the October 9, 2013 Entry setting forth the expedited procedural schedule for consideration of this Application, OMA Energy Group ("OMAEG") submits comments on AEP Ohio's Application for the Commission's consideration.

II. COMMENTS

In a previous application for approval to amend its corporate separation plan, submitted on March 12, 2012, AEP Ohio requested the Commission's approval to transfer title of its generation assets, fuel, and other generation-related assets to AEP Genco to effectuate full corporate separation. The Commission granted AEP Ohio's request in its October 17, 2012 Finding and Order, and ordered AEP Ohio to complete its full legal corporate separation by December 31, 2013.

In its October 4, 2013 Application, AEP Ohio seeks to amend its previous request for full separation because it has not been able to transfer its OVEC contractual entitlements to AEP Genco. In its Application, the Company requests that the Commission allow it to retain its contractual rights to purchase power from generating resources owned by OVEC. AEP Ohio indicates in its Application that it intends to liquidate any OVEC power supply to which it is entitled in the PJM market, and that such power will not be used to serve shopping or non-shopping customers. As such, AEP Ohio contends that its retention of the rights to purchase OVEC generation will not adversely affect the continued development of the competitive electric market in Ohio. The Company further indicates as follows in its Application:

None of the retail rate issues relating to OVEC are being proposed for resolution in this docket, but will be resolved in other cases. Rate matters relating to OVEC during the ESP II term were decided in Case Nos. 11-346-EL-SSO or otherwise remain pending before the Commission in Case No. 12-3254-EL-UNC relative to establishing auction-based rates; the Company will address OVEC rate issues for the period following May 2015 in its upcoming *ESP III* filing.

Application at 5.

AEP Ohio's statements gloss over a number of ratepayer concerns triggered by its request to retain its OVEC contractual entitlements. First, by the very language advanced in its Application, the Company acknowledges that the impact on rates associated with retaining the OVEC contractual entitlements is unsettled and unknown. In fact, in making the request to amend its corporate separation plan, AEP Ohio does not explain or resolve the impact on rates that may result from approval of its Application. The Company's decision to wait to address rate impacts resulting from approval of this Application until the time of its ESP III filing does not offer ratepayers any basis for supporting the Application. AEP Ohio's Application requests that ratepayers, Staff, and the Commission blindly accept its proposal without knowledge of the

consequences of so doing. OMAEG consequently cannot, and, therefore, does not support the Company's request.

Further, the Company's request to retain its OVEC contractual entitlements raises serious questions of compliance with Section 4928.17, Revised Code, and Chapter 4901:1-37, Ohio Administrative Code (O.A.C.). AEP Ohio has not indicated in its Application what it intends to do with the proceeds from its liquidation of OVEC generation supply in the PJM market if complete corporate separation is not achieved. Rule 4901:1-37-04, O.A.C., sets forth many strictures associated with corporate separation, including structural safeguards, under which electric distribution utilities and their affiliates must function independently of each other and cross-subsidies between electric distribution utilities and their affiliates are prohibited, as well as separate accounting, such that each electric distribution utility and its affiliates must maintain books, records, and accounts that are separate from those of affiliates. Pursuant to this rule, negative implications exist whether AEP Ohio itself retains the proceeds from the sale of its OVEC generation resources, or allocates those proceeds to an affiliate, e.g., AEP Genco. Given this situation, the Company must necessarily propose a method for allocation of the proceeds in order for the Commission properly evaluate the Application and ultimately assure ratepayers of the Company's compliance with the Commission's rules and regulations.

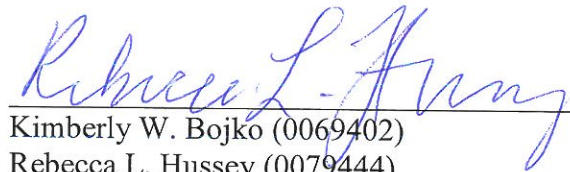
The Company additionally notes in its Application that there is another option available to it, rather than the retention of its OVEC contractual entitlements: under the terms of its inter-company power agreement with OVEC and OVEC's other owners, AEP Ohio may transfer its interests to AEP Genco without the consent of OVEC's other owners, so long as it remains liable for obligations under the contract in the event of default by Genco. After setting this option forth in its Application, the Company dismisses the option, noting that it "does not expect that the

Commission would be interested in that alternative[.]” However, before the Company dismisses this alternative out of hand, Staff and other interested parties should be able to evaluate the option and comment upon its strengths and weaknesses, as well as its potential impacts on ratepayers.

III. CONCLUSION

For the reasons discussed above, without additional information, OMAEG cannot reasonably support AEP Ohio’s Application. OMAEG respectfully encourages the Commission to request additional information from AEP Ohio regarding the impacts of its Application.

Respectfully submitted,



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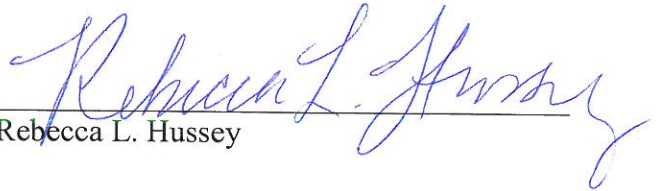
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CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing was served upon the following parties via electronic mail on October 29, 2013.


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Summary: Comments Comments of the OMA Energy Group electronically filed by Ms. Cheryl A Smith on behalf of The Ohio Manufacturers' Association