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Via E-File

November 20, 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 OHIO ENERGY GROUP's APPLICATION FOR REHEARING AND MEMORANDUM IN SUPPORT 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 Process : **Case No. 12-3254-EL-UNC**
for Procurement of Energy to Support its Standard :
Service Offer :

**APPLICATION FOR REHEARING OF
THE OHIO ENERGY GROUP**

The Ohio Energy Group ("OEG") submits this Application for Rehearing of the November 13, 2013 Opinion and Order ("Order") of the Public Utilities Commission of Ohio ("Commission"). The Order is unreasonable because the Commission failed to clarify that Ohio Power Company ("AEP Ohio" or "Company") should allocate the energy costs resulting from its standard service offer ("SSO") auctions and its \$188.88/MW-day demand cost in the same manner that Toledo Edison, Ohio Edison, and Cleveland Electric Illuminating Company (collectively, "FirstEnergy") use to allocate their SSO auction energy and demand costs. A memorandum in support of this Application for Rehearing is attached.

Respectfully submitted,



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November 21, 2013

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**BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Ohio Power :
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MEMORANDUM IN SUPPORT

In its November 13, 2013 Order, the Commission required AEP Ohio to blend its legacy cost-based capacity rates (approx. \$314/MW-day) with a \$188.88/MW-day capacity rate in the same percentages as the Company will blend its energy rates (10%, 60%, etc.), which is similar in principle to MRO blending.¹ This decision is sound and could save customers millions of dollars.² But the Commission did not clarify how that \$188.88/MW-day demand cost will be allocated to SSO rate schedules. Nor did the Commission clarify how the energy costs resulting from AEP Ohio's SSO auctions will be allocated to rate schedules. While the Commission's Order notes that OEG and the Office of the Ohio Consumers' Counsel recommended a specific allocation methodology for these costs in their reply brief,³ the Commission did not actually resolve this issue in its Order. Accordingly, on rehearing, the Commission should clarify that the \$188.88/MW-day demand cost and the energy costs resulting from AEP Ohio's SSO auctions will be allocated in the same manner that the FirstEnergy uses to allocate its SSO auction energy and demand costs.

FirstEnergy allocates the demand costs resulting from its SSO auctions on the 5 Peak Load Contribution ("PLC") basis used by PJM Interconnection, LLC (Duke allocates demand costs resulting from its SSO auctions on a 1 CP basis, which is a proxy for 5 PLC, since Duke had not yet joined PJM when it signed its ESP Stipulation).⁴ And FirstEnergy allocates the energy costs resulting from its SSO auctions with adjustments for

¹ Order at 14.

² FirstEnergy Brief at 2-3; Order at 10.

³ Order at 11.

⁴ See attached tariff sheets for FirstEnergy's Rider GEN and Attachment B to the Duke ESP Stipulation, Case No. 11-3549-EL-SSO.

line losses in order to account for the fact that higher voltage customers have fewer line losses than lower voltage customers.⁵ These demand and energy cost allocations are grounded in fundamental ratemaking principles. The Commission should therefore require AEP Ohio to operate similarly by allocating its SSO auction energy costs with adjustments for line losses and its \$188.88/MW-day demand cost on a 5 PLC basis.

OEG's proposal is a refinement of the Commission's Order, not a modification. And there are multiple benefits to this cost allocation approach. The approach is revenue-neutral to AEP Ohio so it will not financially harm the Company. Further, it will yield reasonable results since the energy and demand costs will be allocated based upon cost causation. Finally, adopting these energy and demand allocations, which have worked well for passing through the costs of FirstEnergy's SSO auctions over the years, will help create uniformity in how Ohio's electric utilities treat such costs.

It is important that the Commission decide this allocation issue on an expedited basis given that AEP Ohio is required to make an extensive filing within the next sixty days in Case No. 13-1530-EL-UNC reflecting the rate impacts of the Commission's decision in this case.⁶ If AEP Ohio does not have clear direction regarding how its SSO energy auction costs and \$188.88/MW-day demand costs are to be allocated prior to making its filing in Case No. 13-1530-EL-UNC, it will not be able to provide concrete rate impacts resulting from this case in that docket. Thus, an expedited decision is required on this limited issue. Although additional issues may be raised on rehearing by other parties, the Commission can decide those issues on a non-expedited basis. There is precedent for such an approach. In Dayton Power & Light's most recent ESP case, the Commission resolved certain rehearing issues earlier than others because pressing auction deadlines required an expedited decision on those issues.⁷ The Commission can take the same approach in this case with regard to the allocation issue raised herein.

⁵ Id.

⁶ Case No. 13-1530-EL-UNC, Finding and Order (November 13, 2013) at 7-8.

⁷ Case No. 12-426-EL-SSO, Entry (October 23, 2013) at 5 (denying in part applications for rehearing while granted others for further consideration at a later date).

WHEREFORE, OEG respectfully requests that the Commission clarify that the energy costs resulting from AEP Ohio's SSO auctions and its \$188.88/MW-day demand cost will be allocated in the same manner that FirstEnergy uses to allocate its SSO auction energy and demand costs.

Respectfully submitted,



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November 21, 2013

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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 20th day of November, 2013 to the following:



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Summary: App for Rehearing Ohio Energy Group (OEG) Application for Rehearing and Memorandum in Support electronically filed by Mr. Michael L. Kurtz on behalf of Ohio Energy Group