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2015 MAY 21 PM 2:43

PUCO

May 21, 2015

Andre T. Porter
Chairman
Public Utilities Commission of Ohio
180 East Broad Street
Columbus, Ohio 43215

Re: Case Nos. 13-2385-EL-SSO, 14-0841-EL-SSO, and 14-1297-EL-SSO

Dear Chairman Porter:

Congratulations on your recent appointment as Chairman of the Public Utilities Commission of Ohio, and best wishes on this challenging endeavor.

The undersigned businesses are Ohio electricity customers who believe the best way to ensure the reasonably-priced and reliable electricity needed for Ohio's economy and job growth is through competitive electricity markets. Attached is a letter we sent in October 2014 to former Chairman Johnson expressing our opposition in the above-referenced docket to the proposed Rider PPA in Ohio Power Company's pending Electric Security Plan and to similar proposals in other pending proceedings. As we set out in the attached letter, these proposals are unfair to shopping customers and harmful to competitive markets.

Since our October letter, the Commission has issued orders on the proposals by Ohio Power and Duke Energy Ohio. While we appreciate the Commission's rejection of the PPAs as proposed, we remain concerned that the door is left open for reconstituted PPAs. We oppose allowing any non-bypassable charge for generation cost recovery. Our concerns are explained in the attached letter, but in general the PPAs will reduce the choices and flexibility we need to manage our energy requirements, resulting in higher costs for electricity for Ohio businesses, and will deny Ohio businesses the right to purchase electricity at the lowest possible price. In addition, we believe the PPAs are contrary to state policy, expressed in Ohio law, that prohibits the recovery of any generation-related costs through distribution or transmission rates.

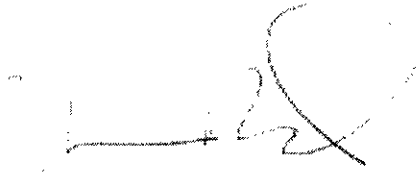
We would appreciate your consideration of our concerns. We also request that this letter be placed in the dockets for case numbers 13-2385-EL-SSO, 14-0841-EL-SSO, and 14-1297-EL-SSO.

Sincerely,

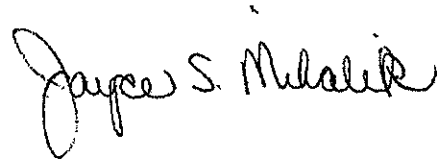
Greg Tomsick
Senior Director of Supply Chain & Energy
Boston Market Corporation

Paige Miller
Director, Energy & Waste Management
Burlington Stores, Inc.

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Shay Reed
Energy Buyer
Costco Wholesale



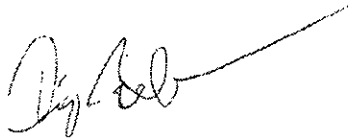
Joyce Mihalik
VP, Design Services
Forest City Enterprises



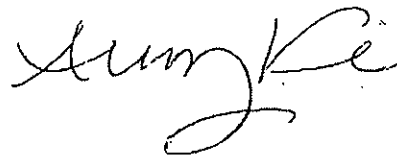
Steve Elsea
Director, Energy Management
Lowe's Home Improvement



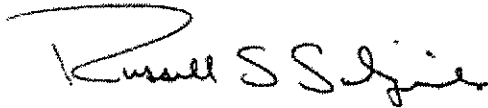
Bill Balsamo
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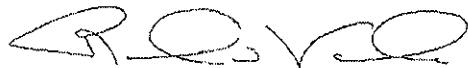
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(on behalf of The Wendy's Group Cooperative
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Joseph Raia
Energy Manager
Sheetz, Inc.



Bob Valair
Director, Energy & Environmental
Management
Staples



Kevin Lundy
Director, Government Affairs
Yum! Brands, Inc.

cc: Commissioner Asim Z. Haque
Commissioner Lynn Slaby
Commissioner M. Beth Trombold
Commissioner Thomas W. Johnson

October 16, 2014

Thomas W. Johnson
Chairman
Public Utilities Commission of Ohio
180 East Broad Street
Columbus, Ohio 43215

Re: Case No. 13-2385-EL-SSO

Dear Chairman Johnson:

The undersigned businesses are Ohio electricity customers who believe that the best way to ensure reasonably priced and reliable electricity is through competitive electricity markets. The still-evolving competitive electricity market in Ohio is providing benefits to consumers and is important to Ohio's economy and job growth. Accordingly, we are very concerned that the proposed Rider PPA in Ohio Power Company's pending Electric Security Plan (Case No. 13-2385-EL-SSO), and other similar programs that have been proposed in other pending proceedings, are unfair to shopping customers and harmful to competitive markets. Therefore, we urge you to reject it.

In Ohio, we collectively represent 1,729 facilities, with over 79,000 employees and \$111 million in annual electricity costs as consumers of electricity. Five of the companies signing this letter are headquartered in the state.

Our companies' experience in Ohio and other states is that well-designed, competitive electricity markets produce substantial savings on electricity costs, which helps us to keep prices down for our own customers and invest in our businesses. Fostering policies in Ohio and our region that allow commercial electricity users to manage their energy purchases in an efficient manner is critical to achieving such savings.

Electricity is one of our largest operating costs, and control of these costs enhances growth and profitability. Competitive electricity markets lower costs and give us the flexibility to choose a supplier that best meets our individual business goals with service offerings that provide choices on price, reliability, generation portfolio mix, risk management, and product and service features. Perhaps most important, in competitive markets investors not consumers bear the risk of bad business decisions.

Proposed Rider PPA would force all customers to pay, through a non-bypassable charge, for power from Ohio Power affiliates (AEP Ohio). Rider PPA will reduce the choices and flexibility we need to manage our energy requirements, resulting in higher costs for electricity for Ohio businesses, and will deny Ohio businesses the right to purchase electricity at the lowest possible price.

Rider PPA will act as an unfair tax on customers that have already procured a supply of power from a competitive retail electric service (CRES) provider for all or part of the ESP term. Those customers will have to pay twice for some components of their electricity supply: once for power purchased through voluntary contracts with CRES providers, and again for AEP Ohio's power plants and other generation-related costs and services through the non-bypassable rider.

As a result of this double-payment, the rider could bias power purchase decisions away from CRES providers and harm Ohio's competitive electricity market over the longer term. If customers are forced to pay for AEP Ohio's generation-related costs through the non-bypassable rider, they will be less likely to choose a CRES provider. Customers will remain with AEP Ohio even when it would be cheaper to procure from a CRES provider but for the non-bypassable riders. As a result, the costs of commercial and industrial customers will be higher than they would be if competitive market forces were allowed to drive prices to the lowest available level.

With AEP Ohio generation subsidized, the level of competition and innovation in the Ohio market, and pressure to keep costs down, will lessen. The policy of the state clearly expressed in Ohio law is to "(e)nsure effective competition in the provision of retail electric service by avoiding anticompetitive subsidies flowing from a noncompetitive retail electric service to a competitive retail electric service or to a product or service other than retail electric service, and vice versa, including by prohibiting the recovery of any generation-related costs through distribution or transmission rates...."¹ The AEP PPA rider puts Ohio businesses at a disadvantage compared to businesses in surrounding states that do not require similar non-bypassable generation charges. We urge you to heed this policy because paying for generation-related costs through non-bypassable riders will seriously erode the customer benefits from competitive electricity markets.

Ohio customers have been subsidizing AEP Ohio's uneconomic generation for years now. Prior to July 2012, AEP Ohio collected capacity charges of \$255/MW-day while the PJM capacity market price was \$110/MW-day. Since then, the company was allowed to collect \$188/MW-day while the PJM market prices were \$16.46/MW-day, \$27.73/MW-day and \$125/MW-day. Proposed Rider PPA will force customers, including those served by CRES providers, to continue subsidizing AEP-Ohio's uneconomic generation. The rider inappropriately places the financial risks of AEP Ohio's generation-related business decisions squarely on the shoulders of its customers. Yet in a competitive market the business risks for generation-related costs rightly belong with the shareholders of AEP Ohio.

Customers are very concerned that they will be forced to pay for uneconomic generation. A headline in a recent Public News Survey story speaks volumes, "Poll: Most Ohioans Say 'No' to Coal Plant Bailouts." Based on recent Public Policy Polling results, most Ohio electricity customers said that Rider PPA should be denied.²

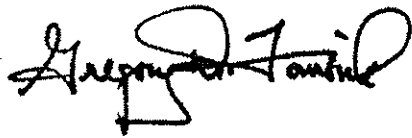
¹ Section 4928.02(H) of the Ohio Revised Code

² *Poll: Most Ohioans Say "No" to Coal Plant Bailouts*, <http://www.publicnewsservice.org/2014-09-11/energy-policy/poll-most-ohioans-say-no-to-coal-plant-bailouts/a41606-1>

As noted above, other Ohio electric distribution utilities have made similar proposals before the PUCO. The manner in which the PUCO addresses the AEP Rider PPA proposal will send a very strong signal regarding the policy direction that Ohio will take. Will Ohio continue down the path to full and open retail and wholesale electric competition or will Ohio once again take a step in the opposite direction and adopt policies that are antithetical to a competitive marketplace?

For the reasons discussed above, we urge you to reject Ohio Power Company's proposed Rider PPA.

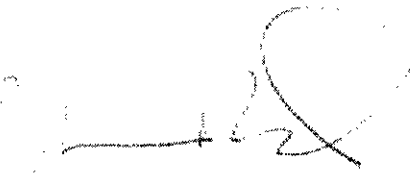
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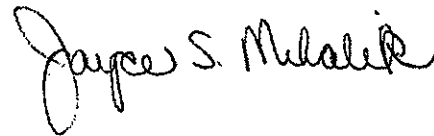
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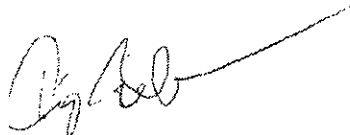
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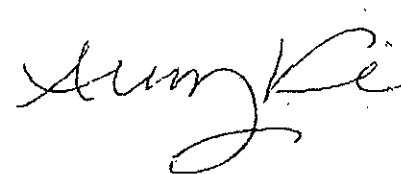
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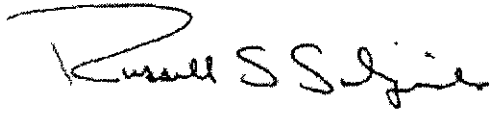
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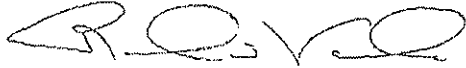
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cc: Commissioner Steven D. Lesser
Commissioner Asim Z. Haque
Commissioner Lynn Slaby
Commissioner M. Beth Trombold
All parties of record