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Via E-File

December 21, 2017

Public Utilities Commission of Ohio
PUCO Docketing
180 E. Broad Street, 10th Floor
Columbus, Ohio 43215

In re: Case No. 16-1852-EL-SSO
Case No. 16-1853-EL-AAM

Dear Counsel:

Please find attached the REPLY BRIEF OF THE OHIO ENERGY GROUP for filing in the above-referenced matters.

Copies have been served on all parties on the attached certificate of service. Please place this document of file.

Respectfully yours,

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MLKkew
Encl.
Cc: Certificate of Service

BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to Section 4928.143 Revised Code, in the Form of an Electric Security Plan.	: : : : :	**Case No. 16-1852-EL-SSO**
In the Matter of the Application of Ohio Power Company for Approval of Certain Accounting Authority.	: :	**Case No. 16-1853-EL-AAM**

REPLY BRIEF OF THE THE OHIO ENERGY GROUP

The Ohio Energy Group ("OEG") submits this Reply Brief in support of its recommendations to the Public Utilities Commission of Ohio ("Commission") in this proceeding. OEG's decision not to respond to other arguments raised in this proceeding should not be construed as implicit agreement with those arguments.

ARGUMENT

As the vast majority of briefs filed in this case reflect, there is wide-ranging support for the Joint Stipulation and Recommendation filed by Ohio Power Company ("AEP Ohio" or "Company") on August 25, 2017 ("Stipulation") in this proceeding. The sole criticism comes from the Office of the Ohio Consumers' Counsel ("OCC") who attempts to dismantle piece-by-piece the carefully bargained-for settlement package. The Commission should reject OCC's arguments. As OEG previously explained, the entire settlement as a package is reasonable and satisfies the Commission's traditional three-prong test. For purposes of brevity, however, the discussion herein will only address the economic development provisions of particular importance to large manufacturers in Ohio.

A. The IRP-D Program Benefits Customers And The Public Interest.

Conceding that interruptible load programs can provide reliability benefits to the electric grid, OCC nevertheless complains about limitations on participation in AEP Ohio's modified interruptible load program and alleges that the program is unnecessary given the option for customers to participate in PJM's demand response program.

As an initial matter, participation in the modified interruptible program set forth in the Stipulation is not limited to signatory or non-opposing parties to this proceeding, as OCC claims. Indeed, both Legacy and New Industry IRP customers can participate in the program regardless of their involvement in this proceeding.[1] OCC is simply mistaken on this point.

With respect to OCC's allegation that state-sponsored interruptible programs are unnecessary in light of the existence of PJM demand response program, OCC ignores the fundamental differences between the AEP Ohio program and the PJM program. In addition to variances in curtailment notice times, load calculations, and penalties, AEP Ohio's program differs from PJM's current program in its year-round nature and in the ability of the Company to require mandatory interruptions in instances when PJM curtailments would only be discretionary.[2] This difference was highlighted during the January 2014 *"polar vortex"* when only AEP Ohio's interruptible program mandated that customers curtail their operations while PJM's program did not.[3] The enhanced reliability provided by state-sponsored programs such as AEP Ohio's can therefore prove highly beneficial in critical times.

Moreover, state-sponsored programs provide energy efficiency/peak demand reduction benefits by counting toward utility compliance with R.C. 4928.66. They also facilitate economic development in Ohio consistent with State policy under R.C. 4928.02(N) by rendering industrial and commercial rates

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[1] Stipulation at 20-26.
[2] Tr. Vol. IV (November 6, 2017) at 527:10-22.
[3] Id. at 528:6-529:2.

more competitive. And the Commission has repeatedly recognized these significant benefits. In AEP Ohio's 2011 ESP, the Commission stated as follows:

> *...the IRP-D credit should be approved as proposed at $8.21/kW-month. In light of the fact that customers receiving interruptible service must be prepared to curtail their electric usage on short notice, we believe Staff's proposal to lower the credit amount to $3.34/kW-month understates the value interruptible service provides both AEP-Ohio and it customers. In addition, the IRP-D credit is beneficial in that it provides flexible options for energy intensive customers to choose their quality of service, and is also consistent with state policy under Section 4928.02(N), Revised Code, as it furthers Ohio's effectiveness in the global economy. In addition, since AEP-Ohio may utilize interruptible service as an additional demand response resource to meet its capacity obligations, we direct AEP-Ohio to bid its additional capacity resources into PJM's base residual auctions held during the ESP.*[4]

The Commission again reiterated the benefits of the interruptible program in the Company's next ESP case:

> *...the Commission agrees with OEG that the IRP-D offers numerous benefits, including the promotion of economic development and the retention of manufacturing jobs, and furthers state policy, which we recognized in the ESP 2 Case. ESP 2 Case, Opinion and Order (Aug. 8, 2012) at 26, 66. We find that the IRP-D should be modified to provide for unlimited emergency interruptions and that the $8.21/kW-month credit should be available to new and existing shopping and non-shopping customers.*[5]

The Commission has also repeatedly approved interruptible programs for utilities located in other parts of Ohio, including the current programs effective in the Cleveland Electric Illuminating Company, Ohio Edison Company, Toledo Edison Company, and Duke service territories.[6]

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[4]Opinion and Order, Case Nos. 11-346-EL-SSO *et al.* (August 8, 2012) at 26.
[5] Opinion and Order, Case Nos. 13-2385-EL-SSO *et al.* (February 25, 2015) at 40.
[6] Opinion and Order, Case No. 14-1297-EL-SSO (March 31, 2016); Opinion and Order, Case No. 12-1230-EL-SSO (July 18, 2012); Opinion and Order, Case No. 10-388-EL-SSO (August 25, 2010); Opinion and Order, Case Nos. 11-3549-EL-SSO (November 22, 2011); Opinion and Order, Case Nos. 14-841-EL-SSO (April 2, 2015) *et al.* at 78 "(*...the program offers numerous benefits and furthers state policy.")*.

Given the enhanced benefits to customers that AEP Ohio's modified interruptible program can provide, it would be unreasonable to eliminate that provision of the settlement, particularly in light of the new cost controls imposed on the program under the Stipulation. Doing so would needlessly throw away a valuable reliability, energy efficiency, and economic development resource for customers in Ohio.

B. The BTCR Pilot Program Benefits Customers And The Public Interest.

OCC takes issue with the BTCR Pilot Program provision of the Stipulation, claiming that participation in the program is limited to signatory or non-opposing parties. But the participation limits that OCC disputes (which do allow non-signatory schools to participate) are reasonable in the context of a pilot program. Those limits also help control the potential costs to other customers associated with the program. Accordingly, the limits on BTCR Pilot Program participation set forth in the Stipulation are reasonable.

OCC also argues that eligible customers should not have the opportunity to make an annual election to participate in or opt-out of the BTCR Pilot Program, but instead should be required to continually remain in the program. This recommendation should be rejected. Customers who wish to participate in the BTCR Pilot should not be required to stay in the program regardless of its potential harm to their electric rates. As OCC admits, the purpose of the program is to reduce overall load at peak times for the AEP Ohio system. The mere existence of the program provides eligible customers with a significant incentive to achieve such load reductions. But if business circumstances do not allow an eligible customer to achieve such load reductions in a given year, then that customer should not be penalized through higher electric rates. Doing so would not only be punitive, but also detrimental to economic development by reducing the competitiveness of Ohio businesses.

C. The Automaker Credit Benefits Customers and the Public Interest.

OCC raises two concerns with respect to the automaker credit set forth in the Stipulation: 1) the use of a 2009 baseline for purposes of determining the credit; and 2) the offering of such a credit outside of the context of a reasonable arrangement. But the inclusion of the automaker credit as set forth in the Stipulation is both reasonable and legally appropriate.

While the use of the 2009 baseline increases the likelihood that automakers in AEP Ohio's service territory will in fact receive a credit under the provision if they increase their production, OCC fails to appreciate that any credit offered is subject to a total cap of $500,000 annually, which limits the cost exposure for other customers. Hence, the automaker credit provision reasonably balances the need to offer a credit that can facilitate economic development in Ohio against the potential rate impact on other customers.

Further, R.C. 4928.143(B)(i) allows the Commission to adopt provisions under which a utility may implement economic development and job retention, including the automaker credit provision, in the context of an ESP. Indeed, the Commission has already adopted automaker credit provisions in the context of an ESP.[7] That OCC simply prefers a different process for making such a credit available to automakers is not sufficient reason to justify altering that provision, which is part of the delicate balance of interests achieved in the Stipulation. OCC has had ample opportunity to review and comment on the automaker credit provision in this ESP proceeding (perhaps more than would be offered in the context of a reasonable arrangement proceeding). Accordingly, there is nothing fundamentally unfair or inappropriate about approving the automaker credit provision of the Stipulation in this proceeding.

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[7] Opinion and Order, Case No. 14-1297-EL-SSO (March 31, 2016).

CONCLUSION

WHEREFORE, for the foregoing reasons, the Commission should approve the Stipulation.

Respectfully submitted,

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December 21, 2017

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CERTIFICATE OF SERVICE

In accordance with Rule 4901-1-05, Ohio Administrative Code, the PUCO's e-filing system will electronically serve notice of the filing of this document on the parties referenced on the attached service list of the docket card who have electronically subscribed to this case. In addition, the undersigned certifies that a courtesy copy of the foregoing document is also being served (via electronic mail) on the 21st day of December, 2017 to the persons listed below.

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