

FILE

BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ohio )  
Power Company and Columbus Southern ) Case No. 10-2376-EL-UNC  
Power Company for Authority to Merge )  
and Related Approvals. )

In the Matter of the Application of )  
Columbus Southern Power Company and )  
Ohio Power Company for Authority to ) Case No. 11-346-EL-SSO  
Establish a Standard Service Offer ) Case No. 11-348-EL-SSO  
Pursuant to §4928.143, Ohio Rev. Code, )  
in the Form of an Electric Security Plan. )

In the Matter of the Application of )  
Columbus Southern Power Company and ) Case No. 11-349-EL-AAM  
Ohio Power Company for Approval of ) Case No. 11-350-EL-AAM  
Certain Accounting Authority )

In the Matter of the Application )  
of Columbus Southern Power ) Case No. 10-343-EL-ATA  
Company to Amend its Emergency )  
Curtailment Service Riders )

In the Matter of the Application )  
of Ohio Power Company ) Case No. 10-344-EL-ATA  
to Amend its Emergency Curtailment )  
Service Riders )

In the Matter of the Commission Review of )  
the Capacity Charges of Ohio Power ) Case No. 10-2929-EL-UNC  
Company and Columbus Southern Power )  
Company. )

In the Matter of the Application of )  
Columbus Southern Power Company ) Case No. 11-4920-EL-RDR  
for Approval of a Mechanism to Recover )  
Deferred Fuel Costs Ordered Under )  
Ohio Revised Code 4928.144 )

In the Matter of the Application of )  
Ohio Power Company for Approval )  
of a Mechanism to Recover ) Case No. 11-4921-EL-RDR  
Deferred Fuel Costs Ordered Under )  
Ohio Revised Code 4928.144 )

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## STIPULATION AND RECOMMENDATION

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### I. INTRODUCTION

Rule 4901-1-30, Ohio Administrative Code ("OAC"), provides that any two or more parties to a proceeding may enter into a written or oral stipulation concerning the issues presented in such a proceeding. This document sets forth the understanding and agreement of the parties who have signed below (Signatory Parties) and jointly recommend that the Public Utilities Commission of Ohio (Commission) approve and adopt this Stipulation and Recommendation (Stipulation) without modification, which resolves all of the issues raised by Columbus Southern Power Company (CSP) and Ohio Power Company (OPCo) (Collectively, "AEP Ohio" or "the Companies") in these cases, relating to the Companies' applications for authority to merge, to establish an Electric Security Plan (ESP) within their certified territories, to increase their electric distribution rates, to establish capacity charges, for approval of certain accounting authority and for changes to their accounting methods, and for approval of tariffs.

This Stipulation is a product of lengthy, serious, arms-length bargaining among the Signatory Parties and other parties who chose not to sign the Stipulation (all of whom are capable, knowledgeable parties), which negotiations were undertaken by the Signatory Parties to settle these proceedings. All parties to these proceedings were invited to discuss and negotiate this Stipulation, and it was openly negotiated among those parties who chose to participate. The Signatory Parties agree that this Stipulation is supported by adequate data and information; represents a just and reasonable resolution of the issues raised in these proceedings; violates no regulatory principle or precedent; and is the product of lengthy, serious bargaining among

knowledgeable and capable parties in a cooperative process, encouraged by this Commission and undertaken by parties representing a wide range of interests, including the Commission's Staff<sup>1</sup>, to resolve those issues. While this Stipulation is not binding on the Commission, it is entitled to careful consideration by the Commission.

For purposes of resolving the issues raised by these proceedings, the Signatory Parties, by and through their respective counsel, stipulate, agree and recommend as set forth below.

## **II. Signatory Parties**

This Stipulation is entered into by and among the Companies, Staff, and each of the undersigned parties (collectively, the Signatory Parties). All of the Signatory Parties agree to fully support adoption of the Stipulation without modification and request that the Commission accept and adopt the Stipulation.

## **III. Recitals**

WHEREAS, this Stipulation represents a serious compromise of complex issues and involves substantial benefits that would not otherwise have been achievable; and

WHEREAS, the Signatory Parties believe that the agreements herein represent a fair and reasonable solution to the issues raised in the cases set forth above concerning, among other things, the Companies' applications for authority to merge, to establish an Electric Security Plan (ESP) within their certified territories, to establish capacity charges, for approval of certain accounting authority and for changes to their accounting methods, and for approval of tariffs;

NOW, THEREFORE, the Signatory Parties stipulate, agree and recommend that the Commission should issue its Opinion and Order in these proceedings accepting and adopting this

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<sup>1</sup> Pursuant to Rule 4901-1-10(C), OAC, the Staff of the Commission ("Staff") is considered a party for the purposes of entering into a stipulation under Rule 4901-1-30, OAC.

Stipulation and relying upon its provisions as the basis for resolving all issues raised by these proceedings:

#### **IV. Recommendations**

1. Electric Security Plan issues – proposed to set standard service offer rates beginning January 2012 through May 31, 2016, with the filing date of the next SSO to occur no later than February 1, 2015 (Case Nos. 11-346 & 348-EL-SSO; 11-349 & 350-EL-AAM:
  - a. AEP Ohio agrees to drop its proposals for the Facilities Closure Cost Recovery Rider, NERC Compliance Cost Recovery Rider, Carbon Capture and Sequestration Rider, Provider of Last Resort Rider, Environmental Investment Carrying Charge Rider, and Rate Security Rider. The nonbypassable environmental unit conversion/ re-dedication structure is also being eliminated.
  - b. Parties agree to AEP Ohio's proposed rate re-design of generation rates, including the Market Transition Rider (MTR), with the following changes which are intended to promote economic development and provide stability and certainty regarding retail electric service. First, there will be established, on a revenue-neutral basis among the demand metered customer classes, a nonbypassable demand charge and nonbypassable energy credit designed to stabilize electric service during the transition to deregulation of generation services by retaining some of the benefits associated with high load factor customers under current rates. (Load Factor Provision) For GS-3 and GS-4 customers, there will be a non-bypassable demand charge of \$6.57/kW-month and an initial energy credit of \$0.01545/kWh (the energy credit will be adjusted quarterly) to produce a net charge of \$0 quarterly. For GS-2 customers, there will be a non-bypassable demand charge of \$3.29/kW-month and an initial energy credit of \$0.00228/kWh (the energy

credit will be adjusted quarterly) to produce a net charge of \$0 quarterly. Any over/under recovery will be reflected in the quarterly adjustment. The Load Factor provision shall not apply to any customer with a monthly peak demand of greater than 250 MW. The Load Factor provision will terminate at the end of the ESP on May 31, 2016. Second, the Company will maintain an interruptible credit of \$8.21/kw/month through the end of the ESP on May 31, 2016 for existing IRP-D customers. The incremental cost associated with this interruptible credit (approximately \$5 million) shall be collected through the Economic Development Rider.

- c. All GS-1 and GS-2 Schools which are currently shopping and commencing January 1, 2012 and through May 31, 2015, GS-2 customers that switch to a CRES provider after September 6, 2011 will receive a shopping credit of \$10/MWh for the first 1,000,000 MWh of usage per calendar year (prorated for 2015). Customers who obtain the credit will retain it for the entire term of the ESP. If less than 1,000,000 MWh of load receives the credit, this limitation shall be adjusted in future years so that the annual credit equals ten million dollars per calendar year. This credit will be included in the MTR over/under-recovery calculation. AEP Ohio agrees to modify the MTR so that only 50% is phased out by May 31, 2015. The MTR Rider will cease to exist with the June 1, 2015 billing cycle. The MTR Rider for each rate schedule by year is attached as Appendix A. The MTR Rider is designed to provide rate certainty and stabilized pricing during the transition to deregulation of generation service pricing. The MTR is designed to produce a net charge of \$6 million quarterly until the end of 2012 or until securitization is completed,<sup>2</sup> whichever is earlier, at which time the MTR is designed to produce a net

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<sup>2</sup> For purposes of this Stipulation, completion of securitization means that the date upon which the bond proceeds are received by the Companies.

charge of \$0 quarterly. Any over/under recovery will be reflected in the quarterly adjustment. Schools that are GS-1 or GS-2 tariff schedule customers will be exempt from the MTR.

- d. AEP shall establish a nonbypassable rider, Generation Resource Rider (GRR), which shall act as a place-holder until such time as the Commission approves any project-specific costs to be included in the GRR. When seeking authorization from the Commission for cost recovery through the GRR, AEP must demonstrate how the proposed project satisfies all applicable requirements set forth in R.C. 4928.143(B)(2). Subject to resolution of a workable procedural schedule that will not endanger the viability of the project, the issues relating to a nonbypassable charge for the life of the Turning Point solar project will be moved into another docket. The Company agrees to only pursue approval of the Turning Point project and the MR 6 project (see Paragraph 2.a.1 below) under the GRR during the term of the ESP. The Parties agree that any nonbypassable surcharge approved by the Commission for inclusion in the GRR shall reflect the net cost of the facility, including fuel and operating and maintenance costs, associated with the facility. The Parties agree that establishment of the GRR does not constitute precedent for purposes of interpreting and applying R.C. 4928.143(B)(2)(b) and (c) and Parties reserve their right to contest or otherwise take positions in the separate future cases that will determine whether to establish a nonbypassable charge and the appropriate level of the charge through the GRR.
- e. Customers that have waived POLR charge who return from shopping during the ESP term will be served at the applicable SSO rate and Case No. 11-531-EL-ATA shall be dismissed upon approval of the Stipulation.

- f. Automatic annual increases or decreases to the (non-fuel) bypassable base generation rate will be made as necessary to achieve an average rate of \$0.0245/kWh starting in January of 2012, \$0.0257/kWh in January of 2013 and \$0.0272/kWh in January of 2014 to be in effect through May 31, 2015 based upon the billing determinants filed by the Company in this proceeding. Thus, with these automatic rate changes implemented under R.C. 4928.143(B)(2)(d), the only other bypassable generation rate that changes for customers during the ESP term prior to implementing an auction-based SSO is the FAC rate.
- g. The SEET ROE threshold will be 13.5% (calculated in a manner consistent with the 2009 Commission order).
- h. AEP Ohio will not file a separate application to initiate Phase 2 and beyond for the gridSMART project until completion and review of Phase 1.
- i. AEP Ohio may establish its proposed PEV tariff and absorb through shareholder funds the \$2,500 allowance proposal provided that the costs associated with this offering shall not be collected from customers.
- j. One-time up front prudence approval for Timber Road REPA - automatic recovery of costs through FAC and/or AER during the contract term subject to financial audit. If REPA is assigned as part of the corporate separation on or after May 31, 2015, termination rights of AEP Ohio and its successors and/or assignees under Article 6.1(G) [cost recovery] of REPA shall terminate.
- k. The revenue received pursuant to AEP Ohio's Green Power Portfolio Rider (GPPR) will not be credited against REC expense or otherwise used to reduce the rate charged to customers that do not participate in the GPPR. The GPPR revenue will be used to procure and retire RECs solely on behalf of the participants in the GPPR rider.

- l. The Alternative Energy Rider (AER) will be subject to annual review in the FAC proceeding, including review by the FAC auditors. In addition to its other functions, the initial FAC proceeding under this ESP shall include a determination of the methodology for valuation of RECs for bundled purchases and for self-generation. Regardless of the allocation methodology determined, however, AEP Ohio will be entitled to full recovery of prudently-incurred compliance costs through the AER.
- m. The current FAC mechanism continues through May 31, 2015. Upon implementation of full legal corporate separation and Pool modification/termination and until May 31, 2015, the FAC will accommodate pass through of bilateral contractual arrangements between AEP Ohio (or the successor electric distribution utility entity) and an AEP affiliate as needed to supply generation services, provided that customers will pay the equivalent non-fuel and fuel generation rates as they would pay under this Stipulation prior to full legal corporation separation and Pool modification/termination. In addition, a modified FAC mechanism will continue after May 31, 2015 in connection with a nonbypassable charge, if any, that is authorized for inclusion in the GRR.
- n. Establish Distribution Investment Rider (DIR) effective January 2012 based on post-2000 investment. The proposed DIR will be modified to exclude the O&M adder from the carrying charge rate. The carrying charge rate will instead include elements to allow the Company an opportunity to recover property taxes, commercial activity tax, and associated income taxes and earn a return on and of plant in service associated with distribution net investment associated with Federal Energy Regulatory Commission (FERC) Plant Accounts 360-374. The return on earned such plant will be based on the cost of debt of 5.34%, a cost of preferred stock of 4.40%, and a return on common equity



of 10.50% utilizing a 47.06% debt, 0.19% preferred stock and 52.75% common equity capital structure. The net capital additions included for recognition under the DIR will reflect gross plant in-service incurred post-2000 adjusted for growth in accumulated depreciation. The DIR shall be adjusted quarterly to reflect in-service net capital additions. Capital additions recovered through riders authorized by the Commission to recover distribution capital additions, will be identified and excluded from the rider and the annual cap. The DIR annual revenue shall be capped at \$86 million in 2012, \$104 million in 2013 and \$124 million in 2014 and the first five months in 2015. The DIR will end on May 31, 2015. Each January the costs in the DIR investments shall be reviewed for prudence by an independent auditor under the direction of Staff and funded by the Companies. The Signatory Parties agree that no proceeding will be commenced by the Signatory Parties, and recommend that no proceeding be commenced by the Commission, whereby an adjustment to the base distribution rates of the Companies would go into effect prior to June 1, 2015 (subject to riders, potential implementation of recommendations from the decoupling advisory group that are accepted by the Companies, and other charges provided in the tariffs), subject to the “significantly excessive earnings test”, except in a case of emergency pursuant to the provisions of R.C. § 4909.16. Approval of the Stipulation by the Commission indicates acceptance of the Signatory Parties’ recommendation. The Companies agree to form an advisory group of interested Signatory Parties to discuss and explore a rate decoupling mechanism, including rate design changes for non-demand metered customers. The decoupling advisory group will begin meeting within forty-five (45) days after the Commission’s adoption of this Stipulation. Costs under the DIR will be allocated to customers as a

percentage of their distribution revenue. In recognition of the critical importance of uninterrupted electric supply to hospitals, both to provide acute medical care and also due to the reliance of communities on hospitals in the event of disasters and other emergencies, AEP Ohio will work with the Ohio Hospital Association (OHA) to identify specific distribution circuit projects for hospital reliability capital improvements subject to maximum investment commitments under the DIR of \$5 million per year during the term of the ESP. In addition, AEP Ohio will participate with the OHA in an advisory group to identify and implement processes and procedures to address emergency preparedness coordination between AEP Ohio, hospitals, and, if jointly deemed appropriate by AEP Ohio and the OHA, other emergency services agencies. The advisory group will begin meeting within 45 days after the Commission's adoption of *this Stipulation to identify those distribution circuit projects most appropriate for hospital reliability improvements and to review more comprehensively the distribution circuit status on all hospitals in the AEP Ohio service territory in advance of AEP Ohio's next distribution rate case.* The Signatory Parties agree that the quarterly DIR update filing will not be an application to increase rates within the meaning of R.C. § 4909.18 and each Signatory Party further agrees it will not advocate a position to the contrary in any future proceeding. For any year that the Companies' spending would produce revenue in excess of that period's cap, the overage shall be recovered in the following cap period subject to such period's cap. For any year the revenue collected under the DIR is less *than the annual cap allowance, as established above, then the difference between the revenue collected and the cap shall be applied to increase the level of the subsequent*

period's cap. In no event will authorization exist to recover in the DIR any expenditures associated with net plant in service additions made after May 31, 2015.

- o. Continue Enhanced Service Reliability Rider (ESR) as proposed.
- p. Establish the Storm Damage Recovery mechanism (deferral and liability accounting) with a baseline of \$5 million per Staff's testimony beginning with calendar year 2011.
- q. Approval of this Stipulation will serve as the Commission's approval of full legal corporate separation (as contemplated by R.C. 4928.17(A) and also known as structural corporate separation) such that the transmission and distribution assets of AEP Ohio will be held by the electric distribution utility while any GRR assets will remain with the electric distribution utility. Full legal corporate separation will be implemented as soon as reasonably possible after other necessary approvals are obtained. Provided that the Commission has approved full legal separation as proposed through a final order (even if any appeals before the Supreme Court of Ohio have been filed), AEP Ohio will provide notice to PJM in March of 2012 (per Schedule 8.1 of the Reliability Assurance Agreement) that it intends to participate in the Base Residual Auction for delivery years 2015-2016. Generation-related costs associated with implementing corporate separation shall not be recoverable from customers.
- r. AEP Ohio (or the surviving electric distribution utility after legal corporate separation by AEP Ohio) will use a competitive bidding process (CBP) to meet its SSO obligation for delivery from June 1, 2015 through May 31, 2016. Certain CBP-related matters addressed in this Paragraph are being resolved as part of this Stipulation and there will be a stakeholder process for developing input into the remaining design and details associated with the CBP. The CBP will be for 1% slice-of-system tranches (not divided

by load class) based upon the auction format previously approved by the Commission Order in Case Nos. 08-935-EL-SSO and 10-388-EL-SSO (including Attachment A to that Order). Such CBP will include but will not be limited to the following: a) the bidding process and any contingency process shall be conducted by an independent third party bid manager; b) an SSO Supply Agreement; c) Communication Protocols; d) provision of data and information; and e) various other necessary components of a CBP, developed by the bid manager, in conjunction with the Signatory Parties. Subject to the provision set forth in Paragraph IV.1.f below, the first auction, which shall be for the first 20 tranches of SSO load for delivery from June 1, 2015 through May 31, 2016, will be conducted on or before September 1, 2013; the second auction, for the next 40 tranches of SSO load for delivery from June 1, 2015 through May 31, 2016, will be conducted on or before September 1, 2014; and the auction for the remainder of SSO load for delivery between June 1, 2015 through May 31, 2016 shall be conducted by January 1, 2015. The auction-clearing prices from such auctions shall be accepted by the Commission unless by order issued before the third calendar day following the conclusion of the CBP, the Commission determines that one or more of the following criteria were not met: 1) each portion of the bidding process was oversubscribed, such that the amount of supply bid upon was greater than the amount of the load bid out; 2) there were four or more bidders; and, 3) no party won more than 75% of the auctioned SSO load. If the Commission rejects an SSO load auction for one of the foregoing reasons, a new SSO load auction will be conducted and the process will be repeated until a successful SSO load auction is approved; if there is not sufficient time to conduct another SSO load auction prior to the delivery period, the electric distribution utility will procure power to support the SSO for

a ninety (90)-day period and will pass the costs through to SSO customers, during which time another SSO load auction will be conducted. The corporately-separated generation resources currently owned by AEP Ohio may be used to support bids in the SSO load auction described in this paragraph on the same terms and conditions as apply to any other affiliated generation companies when those affiliates participate in the auctions of their affiliated utilities. Nothing in the foregoing sentence is intended to create an additional restriction not already required under existing laws and rules or imply any restriction on generation assets not currently owned by AEP Ohio. Successful bidders will provide a full requirements load following product in accordance with PJM's tariff and shall assume all risks including customer migration. AEP Ohio will be entitled to recover all costs for power purchased through this competitive procurement process or other incidental costs associated with an auction-based SSO; the details involved with recovery of the auction clearing prices through retail rates and associated matters (*e.g.*, supplier default provisions) will be addressed through the stakeholder process outlined above. As part of the recovery of costs through retail rates, capacity costs will be allocated on a 5 Coincident Peak basis, the retail tariffs will be voltage-differentiated by schedule and a seasonal differential will be implemented. To facilitate these procurements, dedicated resources under Paragraph 1.d above shall be bid into the PJM energy and capacity markets in accordance with the PJM Tariff and shall be financially settled to ensure that customers receive the agreed upon energy, capacity and renewable energy credits determined by the Commission. The manner in which to include any dedicated resources under Paragraph IV.1.d above in any auction-based SSO procurement process shall be developed in the stakeholder process identified above and

addressed in any CBP; if the stakeholders cannot agree on this issue, the Commission should proceed to address it as part of deciding the separate case that considers whether to adopt a charge for inclusion in the nonbypassable GRR. Parties will also address the procurement of renewables in the context of an auction-based SSO and CBP through the stakeholder process outlined above.

- s. The Companies will add capacity (PLC) and transmission (NSPL) information to the Master Customer List (MCL)<sup>3</sup> no later than January 1, 2012 and updated thereafter on an annual basis within fifteen (15) days of receipt of the necessary information from PJM. Nothing in the foregoing sentence is intended to modify when, or to whom, the MCL is distributed in accordance with OAC 4901-10-29(E). Within thirty (30) days after Commission approval of the Settlement and until such information is added to the MCL, the Companies will provide PLC and NSPL information via email to brokers and marketers within five (5) business days of receipt of an email request for such information (including a letter of authorization for making the request). For registered CRES providers, such information will be provided through the 867 historic usage response and the 814 enrollment response as part of the normal EDI process. In addition, the Companies will modify the following tariff switching rules and notice provisions on the following agreed schedule of implementation:

1. By the end of 2011, the ninety (90)-day Notice Requirement that certain customers must give before they can enroll with a CRES provider will be eliminated;

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<sup>3</sup> The Master Customer List will include a designation for each customer (*i.e.*, revenue class), which allows a CRES provider to determine which class a customer falls under for purposes of the RPM- set aside provisions in Paragraph IV.2.b.3.

2. As of January 2012, discuss reducing the \$10 switching fee associated with enrollment with a CRES provider.
  3. Effective by the June 1, 2015 SSO auction, the 12 month minimum stay requirements for industrial or large commercial customers will be eliminated.
  4. Effective by the June 1, 2015 SSO auction, the provision that residential and small commercial customers that return in summer must stay until April 15th of the following year will be eliminated.
- t. AEP Ohio agrees to collaborate with Staff and make all diligent efforts in order to achieve FERC approval of corporate separation and Pool dissolution or amendment such that full legal corporate separation of AEP Ohio can be implemented prior to the first scheduled auction under Paragraph 1.r above (*i.e.*, before September of 2013). In order to achieve this, AEP Ohio agrees to fulfill the milestones and timelines for such filings as set forth in Appendix B. AEP Ohio agrees to conduct quarterly meetings with the Signatory Parties to discuss the status of the FERC proceedings and address progress toward completion of the milestones. If the FERC denies AEP Ohio's application for corporate separation and/or Pool modification/termination requests in their entirety such that corporate separation is not permitted (*i.e.*, imposition of conditions is not a denial), then: (1) AEP Ohio from that point forward will be relieved of its obligation to conduct additional auctions required under this Stipulation; and (2) the Signatory Parties recommend that the Commission will commence a proceeding to consider appropriate modifications to this Stipulation such as an increase in the RPM-priced capacity set asides in Paragraph IV.2.b.3 below. If any Signatory Party believes that AEP Ohio has

not pursued fulfillment of milestones or has otherwise failed to address matters within AEP Ohio's control that unduly delay progress in the FERC proceedings, that Signatory Party may raise the matter before the Commission for resolution and, if appropriate, sanctions through the filing of a Motion to Enforce the Stipulation in this docket. If completion of full legal corporate separation and dissolution or amendment of the Pool cannot be implemented prior to the first scheduled auction under Paragraph IV.1. r above (*i.e.*, before September of 2013), the Signatory Parties recommend that the Commission automatically open an inquiry in this docket as to whether AEP Ohio has diligently pursued fulfillment of milestones or has otherwise failed to address matters within AEP Ohio's control that have unduly delayed progress in the FERC proceedings; the first auction will be delayed until December 1, 2013 pending the Commission's investigation and findings. If the Commission finds that AEP Ohio failed to fulfill its obligation under this Paragraph, or if for any reason whatsoever (other than FERC denial of AEP Ohio's application for corporate separation and/or Pool modification/termination requests in their entirety such that corporate separation is not permitted, *i.e.*, imposition of conditions is not a denial) completion of full legal corporate separation and dissolution or amendment of the Pool is not completed prior to the rescheduled first auction for December 1, 2013, then AEP Ohio will conduct an auction for the first 20 tranches of the 2015-2016 auction in December of 2013 (and the 2015-2016 auction plan would then be amended to auction the next 40 tranches on or before September 2014 and the remaining 40 tranches on or before April 2015). If completion of full legal corporate separation and dissolution or amendment of the Pool is not completed prior to the second scheduled auction under Paragraph 1. r above (*i.e.*, before September of 2014), the Signatory Parties



recommend that the Commission will automatically open an inquiry in this docket as to whether AEP Ohio has diligently pursued fulfillment of milestones or has otherwise failed to address matters within AEP Ohio's control that have unduly delayed progress in the FERC proceedings; the second auction will be delayed until December 1, 2014 pending the Commission's investigation and findings. If the Commission finds that AEP Ohio failed to fulfill its obligation under this Paragraph or if for any reason whatsoever (other than FERC denial of AEP Ohio's application for corporate separation and/or Pool modification/termination requests) full legal corporate separation and dissolution or amendment of the Pool is not completed prior to the second auction for December 1, 2014, then AEP Ohio will nevertheless conduct a second auction for the next 20 tranches of the 2015-2016 auction in December 2014 (and amend the 2015-2016 auction plan to auction the next the then-remaining 60 tranches in April of 2015).

- u. The Companies shall provide funding for the Partnership With Ohio (PWO) initiative of \$3 million annually for the benefit of low-income customers during the ESP term, provided AEP Ohio's return on equity exceeds 10% for the prior calendar year. AEP Ohio will collaborate with Staff for determining the uses of the PWO fund.
- v. The Companies shall provide funding for the Ohio Growth Fund (OGF) initiative of \$5 million annually for the benefit of economic development during the ESP term, provided AEP Ohio's return on equity exceeds 10% for the prior calendar year, and such funding shall not be recoverable from customers. An advisory group of interested Signatory Parties, including Staff, industrial customers and municipal corporations will be established to assist in developing the framework and criteria for Companies' funding under the OGF. However, a portion of the funding shall be allocated to improving the

load factor of manufacturing customers and otherwise reducing the rate impact on manufacturing customers with low load factors. The advisory group will begin meeting within 45 days after the Commission's adoption of this Stipulation. An initial commitment from the OGF will be \$50,000.00 annually over the next three years for Association of Independent Colleges and Universities of Ohio (AICUO) to utilize either for (i) scholarships in the alternative energy space, or (ii) for alternative energy upgrades on its college campuses, as part of its educational programs on energy efficiency/alternative energy.

- w. The Companies agree to work with Signatory Parties to further develop programs and opportunities for the commitment of customer-sited resources and initiative in exchange for incentive payments to the customer or exemptions from applicable cost recovery mechanisms, in order to help meet the Companies' advanced energy mandates under R.C. 4928.64 and its energy efficiency and peak demand reduction mandates under R.C. 4928.66. Further, the Companies also commit to the municipalities of the City of Grove City and the City of Hilliard, in addition to any Commission-approved financial incentives for LED traffic signals and street lighting, to develop a pilot program for: (i) municipally owned LED street lighting, inclusive of any already existing project plans developed by the City of Grove City and the City of Hilliard, and (ii) municipally owned LED traffic signal conversion, subject to PUCO approval of the 2012 - 2014 energy efficiency / peak demand reduction portfolio plan, to be filed under a separate application. The Companies commit to fund to the City of Grove City and the City of Hilliard for this pilot program an amount not to exceed \$100,000.00 for each municipality, pursuant to cost recovery that the Companies shall include in its 2012 -

2014 energy efficiency / peak demand reduction portfolio plan, to be filed with the PUCO under a separate application. The City of Hilliard and the City of Grove City shall work directly with AEP Ohio in providing feedback and other interaction in order to assist AEP in its further development and deployment of such future municipal LED street signal and/or street lighting upgrade/ improvement and conversion programs.

## 2. Capacity Plan for AEP Ohio

a. Acceleration of Ohio shale gas development<sup>4</sup> – AEP Ohio (or the generation affiliate after corporate separation) commits to fleet transformation and fuel diversification, including:

1. Competitively-priced long-term shale gas contracts for AEP Ohio plants with Ohio producers who commit to investment and employment growth in Ohio. Total annual volumes projected to grow to approximately 60 BCF by mid-decade based on anticipated gas consumption for:

i. New CC gas plant (approximately 500 MW) to replace MR5 after it is retired:

A. Cost of new MR 6 unit to be recovered upon approval of a new generation rate mechanism under R.C. 4928.143(B)(2)(c) (*i.e.*, nonbypassable recovery under GRR for the life of the facility). The Signatory Parties agree that establishment of the GRR does not

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<sup>4</sup> NRDC and Sierra Club's approval of this agreement does not extend to the shale gas provisions set forth in Paragraph IV.2.a, which both organizations oppose. NRDC and Sierra Club note, however, that they do strongly support the planned retirement of the Muskingum River 5 coal-fired power unit proposed in Section 2.a no later than December 31, 2015. On that basis, NRDC and Sierra Club will not challenge this section in these proceedings, but reserve the right to litigate these issues in future proceedings.

constitute precedent for purposes of interpreting and applying R.C. 4928.143(B)(2)(b) and (c) and Parties reserve their right to contest or otherwise take positions in the separate future cases that will determine whether to establish a nonbypassable charge and the appropriate level of the charge through the GRR.

ii. Existing AEP Ohio gas assets: Darby 1-6, Waterford

2. After one-time up front prudence review, the cost of shale gas contracts for the existing AEP Ohio gas units will be recovered through the bypassable FAC during the term of the ESP for non-dedicated generation assets and for the life of the facility through the GRR for dedicated generation assets.

- b. Review And Establish Capacity Charge (Case No. 10-2929-EL-UNC) – authority to revise the amounts charged for supplying capacity associated with retail loads served by CRES provider as follows:

1. The Signatory Parties recommend that the Commission (upon acceptance of this Stipulation) set the capacity charge in Case No. 10-2929-EL-UNC to be the PJM RPM-based rate except that an interim rate of \$255/MW-Day effective starting in January, 2012 will be charged to CRES providers for all shopping above the thresholds set forth in (b)(3) below. After May 31, 2015, the Commission's State Compensation mechanism will expire and the capacity charge will be the PJM RPM-based capacity rate. Consistent with current practice and PJM rules, the applicable PJM RPM-based capacity rate shall be the Final Zonal Capacity Price, which includes the effects of incremental auctions and ILR, as determined under

applicable PJM rules; billing shall be adjusted for the applicable zonal scaling factor, forecast pool requirement and losses. Signatory Parties are agreeing to this capacity rate structure based on the total package being agreed to, including the RPM-priced set aside commitment, and reserve their right to oppose any capacity rate proposal that may be advanced in other cases involving companies not affiliated with AEP Ohio;

2. With regard to customers who are receiving generation service from a CRES provider as of the time that the Stipulation is filed, the capacity rate to be paid by the CRES provider to AEP Ohio for that customer's load will continue to be charged the otherwise applicable RPM rate for the remaining period that the contract remains effective (including renewals). The load grandfathered under this paragraph will be counted toward the RPM-priced set aside limits set forth below and will remain subject to a RPM-priced capacity during the term of the ESP, provided the contract remains in effect during that period;
3. In order to preserve and expand retail shopping in AEP Ohio's service territory and implement AEP Ohio's transition to a fully market-based SSO pricing system more quickly than is possible under an MRO, there will be a set aside of RPM-priced capacity available as follows: 21% of AEP Ohio's total retail load in 2012 (based on total kWh retail sales), 29% in 2013 until securitization is completed when it will become 31% for the remaining portion of 2013 after which securitization is completed (if securitization is completed prior to January 1, 2013, then the applicable set aside for the entirety of 2013 will be 31%) , and 41% in 2014 continuing through the first half of 2015. AEP Ohio agrees to conduct

quarterly meetings with the Signatory Parties during the ESP term to discuss the status of securitization implementation efforts until securitization is completed. Beginning June 1, 2015, the RPM price will apply for all SSO load. During this transition period ending May 31, 2015, there will be no exceptions to the RPM-priced capacity set aside set forth in this Paragraph and the Commission will monitor and enforce the RPM-priced capacity set aside provisions during the transition period, such that any and all shopping in excess of the RPM-priced set aside limits will be priced at the \$255/MW-Day capacity rate. The RPM-priced capacity set aside provisions set forth in this Paragraph include all existing and future shopping load during the transition period. The set aside of RPM-priced capacity shall be initially allocated on a pro rata basis among the residential, commercial and the industrial classes based upon projected kWh consumption for a period of approximately 4 months after the filing of the Stipulation. A customer's class determination shall be based on the same criteria used to define the class for purposes of the current forecasted load projection. The RPM-priced capacity set aside shall be awarded to customers on a first come, first serve basis based upon the rules and processes set forth in Appendix C. After the expiration of the four month period, any kWhs of RPM-priced capacity that have not been consumed by a customer class will be available for customers in any customer class based upon the priority as set forth in Appendix C. During this transition period of RPM-priced capacity, a shopping customer that obtains the RPM-priced capacity shall retain the right to receive the RPM-priced capacity as long as the customer continues to take service from a CRES provider. In other words, it is

the customer that retains the right to the RPM-priced capacity in the event the customer changes from one CRES provider to another. AEP Ohio shall not give any competitive advantage to AEP Retail, in the allocation of RPM-priced capacity pursuant to the process outlined in Appendix C. AEP Retail Energy shall be allowed to compete on the same fair and non-discriminatory manner as all other CRES providers.

4. AEP Ohio agrees to move to stay the Request for Rehearing in FERC Docket No. ER11-2183 ("Rehearing Request") and the Complaint in FERC Docket No. EL11-32 ("Complaint Case"). No later than thirty (30) days after the Commission's order approving this Stipulation becomes final and is no longer subject to appeal, AEP Ohio agrees to move to withdraw the Rehearing Request and the Complaint Case, provided that withdrawal of the Complaint Case will be without prejudice as to non-Ohio jurisdictions.
- c. AEP Ohio (or the electric distribution utility successor after corporate separation) agrees to pursue development of up to 350 MW total of customer-sited combined heat and power (CHP), waste energy recovery (WER) and distributed generation resources in its service territory, with costs to be recovered under an appropriate rider. The details for pursuing this effort will be resolved in a separate proceeding before the Commission and AEP Ohio agrees to consult with the Ohio Environmental Council, Environmental Law & Policy Center, the Ohio Energy Group and the Ohio Manufacturers' Association in developing the filing. AEP Ohio will file the

application within 12 months of the Commission's final order adopting this Stipulation.

- d. All revenues, products, and services of AEP Ohio or the electric distribution utility successor after corporate separation) that are associated with Turning Point, MR6, and any biomass (per Paragraph IV.2.c) facilities shall be used to offset the Commission approved cost of the plant in the GRR.
3. Authority To Merge CSP and OPCo – application to merge operating companies pursuant to an agreement and plan of merger (merger agreement).
    - A. The Signatory Parties recommend that the Commission would approve the merger and closing would occur after Commission approval of the Stipulation by the end of 2011, while maintaining separate rate zones for distribution rates until subsequently addressed by the Commission in a separate proceeding. Effective January 2012, CSP and OPCo transmission rates will be consolidated and CSP and OPCo generation rates (including the FAC rates) will also be consolidated.
  4. Emergency Curtailment Service Riders – application to set emergency curtailment service rider and permit conditional retail participation in PJM demand response programs.

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- A. Current ECS and PCS and proposed ECS will be withdrawn; AEP Ohio shall permit retail customer participation in PJM, demand response programs.
- B. The Signatory Parties agree that any customer that is already receiving an incentive payment through a reasonable arrangement, including but not limited to EE/PDR,



economic development arrangements, unique arrangements, and other special tariff schedules that offer service discounts from the applicable tariff rates and would currently or would like to participate in PJM programs must agree to commit to the electric distribution utility the peak demand response attributes that have cleared in the PJM market in a manner consistent with applicable statutes and rules at no cost to the utility for the duration of the arrangement. This provision shall not be interpreted as modifying the express specific terms of any agreement; and

C. AEP Ohio may issue an RFP to meet its peak demand reduction S.B. 221 mandates.

5. The Signatory Parties agree to support the Pool termination or modification to be filed at FERC. Subject to FERC approval of the Pool termination or modification the Companies may request that those costs be recovered through Ohio rates. A Pool Modification Rider shall be established with an initial rate of zero. However, if the impact of the Pool termination/modification on AEP Ohio during the ESP term is greater than \$50 million prior to May 31, 2015, the Company may pursue cost recovery of the entire impact during the ESP term via a separate RDR application during the ESP term and obtain approval by the Ohio Commission; the Signatory Parties reserve the right to challenge the amount and the recovery of these costs before the Commission and the FERC.
6. Phase In Recovery Rider (PIRR)/Securitization- Recognizing that securitizing the PIRR regulatory assets will provide a benefit to all customers in the form of lower carrying charges, the Signatory Parties agree to support the concept of securitization for the regulatory assets associated with the PIRR. The Signatory Parties agree to work in good faith to pass suitable and appropriate legislation to address the matter as expeditiously as

reasonably possible and to support any subsequent approvals needed or tariffs required by AEP Ohio from the Commission to securitize the PIRR regulatory assets.<sup>5</sup> If, at any time after the PIRR regulatory assets have been securitized, the Commission or the Supreme Court of Ohio issues a decision that impacts the amount of PIRR regulatory assets, AEP Ohio shall use a mechanism to make an adjustment (up or down) equal to the amount adjusted by the Commission or the Supreme Court of Ohio that either prospectively adjusts rates through a credit (or charge). AEP Ohio will be precluded from arguing that such an adjustment has been foreclosed by virtue of securitization of the PIRR regulatory assets, but *otherwise reserves its rights to pursue any available legal remedy to stay, reverse or otherwise challenge such Commission decision that impacts the amount of PIRR regulatory assets.* As part of the package embodied in this Stipulation and in order to attempt utilizing the potential benefits of securitization to stabilize residential rates, the Companies agree to the modifications of the PIRR set forth below.

- A. The collection period for the PIRR will commence on an AEP Ohio (combined CSP and OPCo) basis for non-residential customers beginning January 1, 2012 and will include a debt carrying charge of 5.34% and calculated with no adjustment to the book balance as of year end 2011 (the “modified PIRR”), subject to the terms of this paragraph. The Signatory Parties agree that AEP Ohio has properly utilized a WACC carrying charge during the deferral period for the PIRR regulatory assets. The modified PIRR will be in place for the entire amortization period or until the PIRR regulatory assets are securitized, whichever comes first.
- B. Collection of the PIRR for residential customers will be delayed for 12 months under the following conditions. If securitization is completed by the end of 2012, the additional

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<sup>5</sup> Wal-Mart neither supports nor opposes this provision.

carrying costs related to the actual delay in commencing the residential collection period will be included in the regulatory asset for collection from all customers and all customers will benefit from lower PIRR charges from that point going forward. If securitization is not completed by the end of 2012, the modified PIRR will commence effective January 1, 2013 for residential customers (and the modified PIRR will continue for non-residential customers) and the additional carrying costs related to the 12-month delay of commencing the residential collection period will be included in the regulatory asset for collection from all customers.

C. Once securitization is completed, all customers will benefit from lower PIRR charges from that point going forward.

7. Market Rate Offer Test – As will be further demonstrated through supporting testimony, the Signatory Parties agree that the ESP package included as part of this Stipulation is more favorable in the aggregate than the expected results under a MRO.

8. If the Commission modifies AEP Ohio's next SSO application (to be filed no later than February 1, 2015 pursuant to this Stipulation), and AEP Ohio rejects those modifications and terminates the application for the SSO that would have commenced June 1, 2016, the auction-based SSO structure applicable in 2015-2016 under this ESP will temporarily remain in effect, as described in the following sentence, until a subsequent ESP or MRO is approved. Specifically, unless a new ESP or MRO SSO is approved by the Commission for the term commencing June 1, 2016 prior to April 1, 2016, AEP Ohio will procure through an auction-based SSO procurement process, a full requirements load following product on a

quarterly basis until a new ESP or MRO SSO is approved, with retail generation rates being determined based on the results of those auction-based SSO load procurements.

## **V. Force Majeure**

*All Signatory Parties reserve the right to reconvene the settling parties to discuss the need to revise the Stipulation to address unforeseen regulatory, legal or statutory developments such as changes in applicable federal or state tax provisions or other significant changes.*

## **VI. Non-Severability of Stipulation Provisions**

This Stipulation, if adopted by the Commission, will resolve all issues arising from the proceedings referenced above, involving the Companies' applications for authority to merge, to establish an ESP within their certified territories, to increase their electric distribution rates, to establish capacity charges, for approval of certain accounting authority and for changes to their accounting methods, and for approval of tariffs. The settlement agreement embodied in this Stipulation was reached only after extensive negotiations between and among the Signatory Parties, and reflects a bargained compromise involving a balancing of competing interests. Although the Stipulation and Recommendation does not necessarily reflect the position any of the Signatory Parties would have taken if all of the issues addressed herein had been fully litigated, the Parties believe that, as a package, the Stipulation strikes a reasonable balance among the various interests represented by the Signatory Parties, does not violate any important regulatory principle, and is in the public interest. This Stipulation shall not be relied upon as precedent for or against any Signatory Party or the Commission itself in any subsequent

proceeding, except as may be necessary to enforce the terms of the Stipulation and Recommendation.

Because the Stipulation is an integrated settlement, it is expressly conditioned upon the Commission adopting the same in its entirety without material modification. Rejection of all or any part of the Stipulation and Recommendation by the Commission shall be deemed to be a material modification for purposes of this provision. If the Commission materially modifies all or any part of this Stipulation , and such modifications are not acceptable to all the Signatory Parties, the Signatory Parties agree to convene immediately to work in good faith to attempt to formulate an alternative proposal that satisfies the intent of the Stipulation and Recommendation, or represents a reasonable equivalent thereto, to be submitted to the Commission for its consideration through a joint application for rehearing filed by all the Signatory Parties.<sup>6</sup> If the Signatory Parties do not reach unanimous agreement with respect to such an alternative proposal, no alternative proposal shall be submitted, and any Signatory Party may, within thirty (30) days of the Commission's order, file an application for rehearing supporting the adoption of the Stipulation as filed. No Signatory Party shall oppose an application for rehearing filed by any other Signatory Party pursuant to this provision. Upon the Commission's issuance of an entry on rehearing that does not adopt this Stipulation in its entirety without material modification, or the alternative proposal, if one is submitted, a Signatory Party may withdraw from the Joint Stipulation and Recommendation by filing a notice with the Commission within thirty (30) days of the Commission's entry on rehearing. AEP Ohio may withdraw if the proposed Stipulation is modified, pursuant to R.C. 4928.143(C)(2)(a) and without regard to the additional process set forth in this provision; upon such withdrawal, the Stipulation will become null and void.

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<sup>6</sup> The Commission Staff is not considered a signatory Party for the purposes of requirements regarding rehearing applications.

Likewise, if a Stipulation is not filed by the Companies and other parties in the pending Columbus Southern Power Company and Ohio Power Company distribution rate cases (Case Nos. 11-351-EL-AIR and 11-352-EL-AIR) within thirty (30) days of the filing of the instant Stipulation, the Companies may unilaterally withdraw upon notice to the Signatory Parties. If a Signatory Party other than the Companies withdraws from the Stipulation, the Commission will consider whether the modified stipulation with the remaining signatory parties satisfies the Commission's applicable criteria for adopting a contested stipulation. Upon the withdrawal of the Companies or upon a Commission determination that a withdrawn Signatory Party causes the Stipulation to no longer satisfy the Commission's applicable criteria for adopting a contested stipulation, this Stipulation shall immediately and automatically become null and void. In such event, this proceeding shall go forward at the procedural point at which the Stipulation was filed, and the parties will be afforded the opportunity to present evidence through witnesses, to cross-examine all witnesses, to present rebuttal testimony, and to brief all issues which shall be decided based upon the record and briefs, as if this Stipulation had never been executed.

The Signatory Parties have agreed to the above-described process to be followed in recognition of the unique circumstances involved. A Signatory Party's agreement to this process for purposes of this Stipulation shall not be interpreted as binding such Party to support a similar process in any future proceeding, and the Commission's approval of this Stipulation shall not be interpreted or otherwise relied upon as authority for utilizing this process as a template for stipulations in future proceedings.

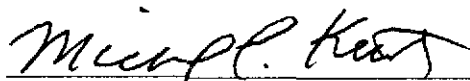
AGREED THIS 7<sup>th</sup> DAY OF SEPTEMBER, 2011.



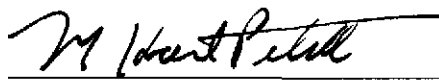
Steven T. Nourse  
On behalf of Columbus Southern Power  
Company and Ohio Power Company.



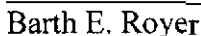
Werner L. Margard III  
John H. Jones  
Assistant Attorneys General,  
Public Utilities Section  
On behalf of the Staff of the Public Utilities  
Commission of Ohio



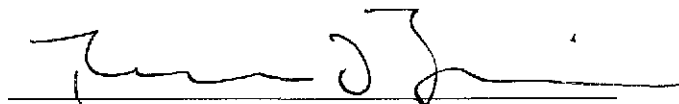
David F. Boehm  
Michael L. Kurtz  
On behalf of the Ohio Energy Group



M. Howard Petricoff  
On behalf of Constellation NewEnergy, Inc.,  
and Constellation Energy Commodities  
Group, Inc.



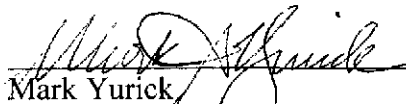
Barth E. Royer  
On behalf of Dominion Retail, Inc.



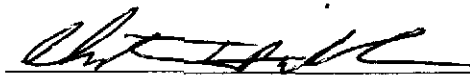
Thomas F. O'Brien  
On behalf of The Ohio Hospital Association.



Lisa G. McAlister  
On behalf of The OMA Energy Group



Mark Yurick  
On behalf of The Kroger Co.



Christopher L. Miller  
On behalf of the City of Hilliard



Christopher L. Miller  
On behalf of the City of Grove City



Christopher L. Miller  
On behalf of the Association of Independent  
Colleges and Universities of Ohio



Emma F. Hand  
On behalf of Ormet Primary Aluminum  
Corporation



M. Howard Petricoff  
Sandy I-ru Grace  
Jesse A. Rodriguez  
On behalf of Exelon Generation Company,  
LLC



Jay E. Madwin  
On behalf of AEP Retail Energy Partners LLC

M. Howard Petricoff  
On behalf of PJM Power Producers



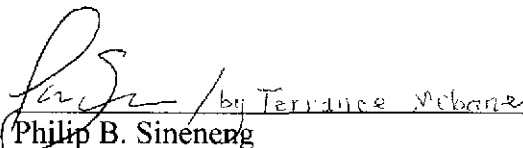
Terrance O'Donnell  
Christopher M. Montgomery  
On behalf of Paulding Wind Farm II, LLC

Terrance O'Donnell  
On behalf of the Distributed Wind Energy  
Association



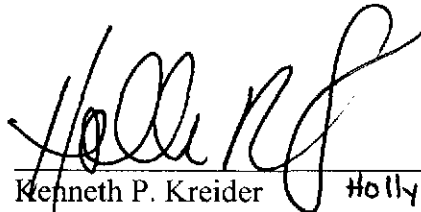
Tara C. Santarelli  
On behalf of the Environmental Law and  
Policy Center

On behalf of



by Terrance McNamee

Philip B. Sineneng  
On behalf of Duke Energy Retail Sales, LLC

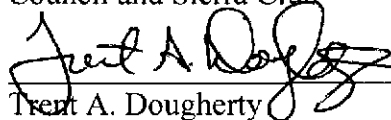


Kenneth P. Kreider Holly Rachel Smith  
On behalf of Wal-Mart Stores East, LLP, and  
Sam's East, Inc.

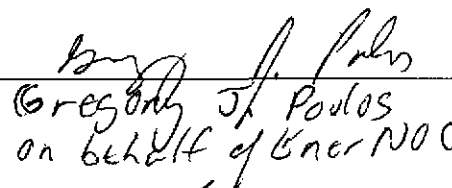


M. Howard Petricoff  
On behalf of the Retail Energy Supply  
Association

Henry W. Eckhart  
Shannon Fisk  
On behalf of Natural Resources Defense  
Council and Sierra Club



Trent A. Dougherty  
On behalf of the Ohio ~~Energy~~ Council  
ENVIRONMENTAL



Gregory J. Poulos  
on behalf of ENER NOC



CHRISTOPHER J. ALLWEIN  
On behalf of  
NATURAL RESOURCES DEFENSE  
COUNCIL



# APPENDIX A

# APPENDIX A

## Market Transition Rider

Line No.	Company	Class/ Descript. (A)	2012 Transition Rider (B)	2013 Transition Rider (C)	2014/2015 Transition Rider (D)
1	CSP	Residential Service	(\$0.00294)	(\$0.00252)	(\$0.00209)
2					
3	CSP	General Service - Small	\$0.02375	\$0.02091	\$0.01816
4					
5	CSP	General Service - Low Load Factor	\$0.02298	\$0.02004	\$0.01715
6					
7	CSP	General Service - Medium Load Factor	\$0.00527 *	\$0.00375	\$0.00325
8					
9	CSP	General Service - Large / Interruptible Power - Discretionary	(\$0.00533) *	(\$0.00550)	(\$0.00462)
10					
11	CSP	Area Lighting	\$0.03618	\$0.03377	\$0.03189
12					
13	CSP	Street Lighting	\$0.01973	\$0.01855	\$0.01768
14					
15	CSP	Standby Service	\$0.00258	\$0.00198	\$0.00129
16					
17	OPCo	Residential Service	(\$0.00064)	(\$0.00053)	(\$0.00041)
18					
19	OPCo	General Service - Non-Demand Metered	\$0.01705	\$0.01506	\$0.01316
20					
21	OPCo	General Service - Low Load Factor	\$0.00794	\$0.00683	\$0.00571
22					
23	OPCo	General Service - Medium/High Load Factor	\$0.00100 *	\$0.00007	\$0.00017
24					
25	OPCo	General Service - Large / Interruptible Power - Discretionary	(\$0.00235) *	(\$0.00293)	(\$0.00249)
26					
27	OPCo	Electric Heating General	(\$0.00641)	(\$0.00536)	(\$0.00426)
28					
29	OPCo	Electric Heating Schools	(\$0.02608)	(\$0.02234)	(\$0.01822)
30					
31	OPCo	School Service	\$0.00124	\$0.00105	\$0.00085
32					
33	OPCo	Flood Pumping	(\$0.01486)	(\$0.01254)	(\$0.01008)
34					
35	OPCo	Outdoor Lighting	\$0.08160	\$0.07270	\$0.06466
36					
37	OPCo	Street Lighting	\$0.07823	\$0.06944	\$0.06148
38					
39	OPCo	Standby Service	(\$0.11774)	(\$0.11616)	(\$0.11026)

\* The 2012 MTR for the following classes will change should securitization be completed in 2012, as follows:

CSP	General Service - Medium Load Factor	\$0.00424
CSP	General Service - Large / Interruptible Power - Discretionary	(\$0.00636)
OPCo	General Service - Medium/High Load Factor	(\$0.00003)
OPCo	General Service - Large / Interruptible Power - Discretionary	(\$0.00338)

# APPENDIX B

### TIMELINE FOR SECTION 203 AND 205 PROCEEDINGS AT FERC

AEP and the Settling Parties agree to support and recommend to FERC the following schedule for the Section 203 and 205 proceedings related to modification and/or dissolution of the AEP East Pool and to corporate separation of AEP Ohio. The final schedule will be as approved by FERC. AEP will diligently pursue approval of its Section 203 and 205 applications under the established schedule.

- I. Section 205 Filings:** Includes modifications to tariffs necessary to (1) dissolve and/or modify AEP East Pool Agreement, (2) substitute new agreements addressing the pool's dissolution and/or modification, and (3) address the rate impacts, if any, from corporate separation of AEP Ohio in Section 203 proceeding.

Date (Absolute)	Date (Estimated)	Milestone
FO	11/1/11	Final Order from PUCO
FO to FO + 90	2/1/12	Period dedicated to pre-filing stakeholder discussions
FO + 90	2/1/12	File Section 205 Application
FO + 120	3/1/12	Deadline for Interventions and Protests
FO + 150	4/1/12	FERC establishes paper hearing, deferred for settlement judge proceedings for 60 days
FO + 210	6/1/12	End of settlement judge proceedings. Any offer of settlement will be reviewed by the FERC. Parties will identify remaining contested issues.
FO + 255	7/15/12	AEP legal position and supporting affidavits
FO + 300	9/1/12	Intervener legal positions and supporting affidavits
FO + 330	10/1/12	AEP rebuttal of intervener legal position and supporting affidavits
FO + 450	2/1/13	FERC Order

- II. Section 203 Filings:** Includes corporate separation of AEP Ohio; however, rate impacts, if any, from corporate separation of AEP Ohio will be addressed in the Section 205 proceeding.

Date (Absolute)	Date (Estimated)	Milestone
FO	11/1/11	Final Order from PUCO

**APPENDIX B**

FO to FO + 90	2/1/12	Period dedicated to pre-filing stakeholder discussions
FO + 90	2/1/12	File Section 203 Application
FO + 120	3/1/12	Deadline for Interventions and Protests
FO + 270	8/1/12	180-day deadline for FERC action on Section 203 application absent extension
FO + 450	2/1/13	360-day deadline for FERC action on Section 203 application absent extension

# APPENDIX C

**RPM SET-ASIDE ALLOTMENT RULES****DEFINITIONS**

**Annual Customer Usage** means the level of megawatt-hours (MWh) assigned to a customer based on its actual purchases during the most recent calendar year (January through December).

**Cap** means the level of MWh equal to 21%, 29%<sup>1</sup> and 41% in Jan-Dec 2012, Jan-Dec 2013, Jan 2014 – May 2015 of annual weather-adjusted retail sales, respectively from the preceding calendar year. For purposes of the Jan-Dec 2012 Cap, annual retail sales is based on AEP Ohio's annual average kWh based on the 24 months ended July 31, 2011 (47,023,697,140 kWh).

**Customer** means the building or facilities served through a single existing electric billing meter and does not mean the person, corporation, partnership, association, governmental body, or other entity owning or having possession of the building or facilities.

**RPM Set-Aside** means the combined level of MWh equal to the sum of (a) the MWh usage for the previous calendar year of the customers taking service from a competitive retail electric service (CRES) provider and (b) the awarded allotments not yet being served by a CRES. The level of RPM Set-Aside shall not be adjusted for weather. The level of RPM Set-Aside shall be updated each time the Cap is updated. No retail customer served by a CRES provider shall lose its RPM Set-Aside as a result of the annual cap update.

**Enrollment Queue or Queue** means the ranking system established when the level of the RPM Set-Aside is greater than the Cap or would exceed the Cap if an allotment were awarded. AEP Ohio shall maintain enrollment form submission records so that it can accurately identify a customer's position within the queue.

**Facility or Customer Facility** shall be defined as a building or dwelling served through a single existing electric billing meter at a single site and does not mean the person, corporation, partnership, association, governmental body, or other entity owning or having possession of the building or dwelling.

**First-Come First-Served Basis** means the date and time when a CRES provider submits an Affidavit to AEP Ohio regarding the existence of a validly executed contract, without preference or bias.

**Group One Customer.** A Group One Customer shall be identified as a customer who has been continuously taking service through a CRES since July 1, 2011. A Group One Customer is allowed to increase its usage above the Cap for both existing and any expanded load at that facility. A Group One Customer that discontinues retail access

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<sup>1</sup> Per the stipulation, if securitization is completed during prior to December 31, 2013, this value will increase to 31% at that time.

service and returns to standard service offer (SSO) service will lose its Group One status. The awarded allotments of a Group One Customer shall be included in the calculation of RPM Set-Aside.

**Group Two Customer.** A Group Two Customer shall be any customer who began taking continuous service from a CRES between July 1, 2011 and September 7, 2011. Group Two Customer status is limited to existing load through meters served continuously by a CRES since September 7, 2011. A Group Two Customer that discontinues retail access service and returns to SSO service will lose its Group Two status. The awarded allotments of a Group Two Customer shall be included in the calculation of RPM Set-Aside.

**Group Three Customer.** A Group Three Customer is a customer seeking to expand usage at a facility served through a CRES where expand means to connect new load exceeding 10% of the prior years' actual usage through an existing meter. The awarded allotments of a Group Three Customer shall be included in the calculation of RPM Set-Aside.

**Group Four Customer.** A Group Four Customer shall be any customer who provided a 90 day notice to AEP Ohio, prior to September 7, 2011, of their intent to take service from a CRES consistent with the relevant tariff provision and who is not classified as a Group One, Two, or Three Customer. The awarded allotments of a Group Four Customer shall be included in the calculation of RPM Set-Aside.

**Group Five Customer.** A Group Five Customer shall be any customer who contracted for or began taking retail open access service or provided a 90 day notice to AEP Ohio after September 7, 2011 and who is not classified as a Group One, Two, Three or Four Customer. The awarded allotments of a Group Five Customer shall be included in the calculation of RPM Set-Aside.

#### **ORDER OF PRIORITY FOR RPM SET-ASIDE**

1. AEP Ohio shall assign energy allotments to its Group One and Group Two customers on a first-come, first-serve basis. If the Group One and Two allotments exceed the Cap, no additional allotments will be awarded to Group Three, Four and Five customers.
2. AEP Ohio shall assign energy allotments to its Group Three customers on a first-come, first-serve basis. If the Group Three allotments exceed the Cap, no additional allotments will be awarded to Group Four and Five customers.
3. AEP Ohio shall assign energy allotments to its Group Four customers on a first-come, first-serve basis such that the energy allotment does not exceed the Cap. If the Group Four allotments equal or exceed the Cap, no additional allotments will be awarded to Group Five Customers.



4. AEP Ohio shall assign energy allotments to its Group Five customers on a first-come, first-serve basis pursuant to the guidelines of the Securing an Annual Energy Allotment section of this document.
5. AEP Ohio shall establish a fully operational web-based Cap-Tracking System pursuant to the guidelines of the Cap-Tracking System section of this document.

**DETERMINATION OF THE CAP**

1. AEP Ohio shall calculate the Cap based on the weather-adjusted retail sales of the preceding 12-month period ending June 31. The initial Cap shall take effect on the first business day of January each year and is not subject to challenge. The Cap shall be updated on the utility's Cap-Tracking System on the first business day of January each year. The Cap shall also be updated on the first business day following a Cap determination by the Commission.
2. The Cap shall be submitted to the Commission through a filing by September 31 of the preceding year in this same docket.

**SECURING AN RPM SET-ASIDE**

1. Through December 31, 2011, the RPM-priced capacity shall be allocated on a pro rata basis among the residential, commercial, and industrial classes. Customer class shall not be a determinant for the RPM set-aside thereafter. If the allotment to any customer class as of September 7, 2011 exceeds 21%, then the allocation to the remaining classes shall be reduced on a pro rata basis such that the total allotment does not exceed 21%.
2. Allotments shall be based on the customer's previous year's 12-month annual usage. If the customer does not have 12-months of annual usage, its annual energy allotment shall be estimated by AEP Ohio based on the class and rate using information of similar customer types from the utility's standard tariff service.
3. AEP Ohio shall award and allocate allotments on a first-come, first-served basis after the allocation of energy allotments to its Group One, Two, Three and Four customers are complete and if there is space available below the Cap. The utility shall award and allocate allotments on a first-come first-served basis as measured by the date and time when a CRES provider submits an Affidavit to AEP Ohio regarding the existence of a validly executed contract.
4. If an allotment is awarded, AEP Ohio shall notify the CRES within two business days of the submission of a complete enrollment form.
  - a. An allotment shall be awarded if the entire amount of the expected usage falls below the Cap.

- b. An allotment shall be awarded based on a customer's status in the enrollment queue in situations where the level of RPM Set-Aside was above the Cap and subsequently falls below the Cap.
  - i. An allotment shall be awarded to the first customer in the enrollment queue if its entire annual energy allotment falls below the Cap.
  - ii. If the annual energy allotment of the first customer in the enrollment queue exceeds the Cap then AEP Ohio shall not award additional allotments until such time that the first customer in the queue is provided the opportunity to accept its allotment.
- 5. If space below the Cap becomes available, AEP Ohio shall notify the CRES by telephone or e-mail within two business days. The CRES shall then have two business days to notify AEP Ohio by telephone or e-mail that the customer desires to accept its allotment. If the CRES does not notify AEP Ohio within the two days of acceptance of the allotment, then the allotment will be offered to the next customer in the queue.
- 6. AEP Ohio shall award allotments from within the enrollment queue until the available energy allotments are exhausted or the queue is empty.
- 7. If an allotment is not awarded then it shall be deferred, and AEP Ohio shall notify the CRES of the deferral within two business days of the submission of a complete enrollment form. If the deferral is based on Cap exceedance, the deferral notification shall provide notification of Cap exceedance and provide the CRES with the customer's position within the queue in terms of the number of forms and MWh ahead of that customer within the queue.
  - a. An allotment shall be deferred if the level of RPM Set-Aside is greater than the Cap or if the annual energy allotment would create a situation where the level of RPM Set-Aside would be greater than the Cap if the allotment were to be awarded.
    - i. A Group One Customer shall be awarded additional energy allotments even if the level of RPM Set-Aside exceeds the Cap.
    - ii. A Group Two Customer may be awarded additional energy allotments even if the level of RPM Set-Aside exceeds the Cap.
  - b. A deferred enrollment shall be placed into the enrollment queue and shall remain in queue unless withdrawn by the CRES or the customer in writing or electronic mail.

**CAP-TRACKING SYSTEM ("CTS")**

## APPENDIX C

1. The CTS shall be web-based and publicly available at AEP Ohio's website. ([www.aepohio.com](http://www.aepohio.com))
2. AEP Ohio shall publish information concerning energy allotments on its website. At a minimum, the information contained on this website shall include:
  - a. The Cap.
  - b. Current level of RPM Set-Aside expressed in MWh and as a percentage of the Cap. Note: AEP Ohio shall specify the level of MWh of usage for the previous calendar year of the customers taking service from a CRES and the amount of awarded allotments not yet being served by a CRES.
  - c. The amount of available energy allotments expressed in MWh and as a percentage of the CAP.
  - d. The number of MWh in queue.
  - e. The date of the most recent update to the information contained on the web page.
  - f. A contact name and direct phone number or direct E-mail of a utility representative able to assist with questions about the contents of the website. An individual customer or its CRES may contact AEP Ohio and receive a report indicating its individual status in the queue for electric choice service.
3. AEP Ohio shall update the information contained on the website on a weekly basis when the amount of actual energy allotments is less than or equal to 90% of the Cap.
4. AEP Ohio shall update the information contained on the website on a daily basis when the amount of actual energy allotments is greater than 90% of the Cap but less than 101% of the Cap.
5. AEP Ohio shall update the information contained on the website on a monthly basis when the amount of actual energy allotments is greater than or equal to 101% of Cap.
6. The CTS shall be fully operational within 60 days of the issuance of this order.

## IMPLEMENTATION

The Signatory Parties will meet within two weeks of the filing of the Stipulation to develop a more detailed implementation plan, including how to form a queue during the period prior to Commission approval of the Stipulation.