
January 8, 2014

AEP OHIO'S ELECTRIC SECURITY PLAN III
CASE NOS. 13-2385-EL-SSO, *et al*

TECHNICAL CONFERENCE

Overview of ESP III



- ESP Term - June 1, 2015 through May 31, 2018
- Completes the Commission's objective of full transition to market
- Supports needed distribution infrastructure investment for continued and increased reliability
- Provides customers, auction participants, and CRES providers with advanced knowledge of the AEP Ohio Marketplace through May 2018
- Auctions- mix of two supply periods, 12 months and 24 months
 - Two auctions per year
 - Each synchronized to PJM planning year

Delivery Periods			
Auction Date	June 2015	June 2016	June 2017
September 2014	12 Month June 2015-May 2016 33%		
	24 Month June 2015- May 2017 17%		
March 2015	12 Month June 2015-May 2016 33%		
	24 Month June 2015- May2017 17%		
September 2015		12 Month June 2016-May 2017 33%	
March 2016		12 Month June 2016-May 2017 33%	
September 2016			12 Month June 2017-May2018 50%
March 2017			12 Month June 2017-May2018 50%

Financials



- Company suggests that a SEET threshold of 15% may be reasonable, if a prospective threshold is established.
- Assumes the RSR* will continue at the current rate of \$4/MWh until the balance of the capacity deferrals have been collected.
 - Company is not seeking authorization to collect deferred capacity in ESP III- A separate application will be filed to recover the deferred capacity costs
 - Anticipating a 34 month recovery period beginning June 1, 2015
- DIR mechanism to be modified to expand allowable costs to include General Plant

DISTRIBUTION INVESTMENT (\$ MILLIONS)				
	2015	2016	2017	2018
TOTAL CAPITAL	\$241.90	\$214.80	\$235.50	\$239.20

*RSR is being discussed in the filing only for the purpose of allowing the Company to provide a more complete view of the estimated customer bill impacts during the ESP III period.

Impact on Customer Rates



- On average over the three-year period, SSO customers are projected to see an approximate decrease in rates of 9%, shopping customers are projected to see rates remain flat.
 - Key assumption in projecting the Market G Energy rates- use of the non-capacity component of the Duke November 2013 auction price for 2014/2015, grossed-up for losses and taxes
- SSO rate will be determined based on a competitive bid auction
 - Will result in a bundled price for capacity, energy, and market-based transmission

SSO Customers

ESP II		ESP III		
Current Rates & Known Changes				
	Nov 2012 - Oct 2013 \$/MWh	June 2015 - May 2016 \$/MWh	June 2016 - May 2017 \$/MWh	June 2017 - May 2018 \$/MWh
Base G / Generation Capacity	25.28	12.12	5.39	8.74
FAC / Generation Energy	38.42	41.4	43.68	42.54
Total Generation	63.70	53.52	49.07	51.28
Riders	47.57	48.74	49.59	50.33
Total \$/MWh	111.27	102.26	98.66	101.61
% Change over Current		-8%	-11%	-9%

Shopping Customers

ESP II		ESP III		
Estimated Rates				
	Jan 2015 - May 2015 \$/MWh	June 2015 - May 2016 \$/MWh	June 2016 - May 2017 \$/MWh	June 2017 - May 2018 \$/MWh
Market G Capacity	11.41	12.12	5.39	8.74
Market G Energy	42.54	42.54	42.54	42.54
Total Generation	53.95	54.66	47.93	51.28
Riders	47.57	48.69	49.54	50.28
Total \$/MWh	101.52	103.35	97.47	101.56
% Change over Current		2%	-4%	0%

Typical Bills- SSO Customer



Columbus Southern Power Rate Zone							
Household	Summer Monthly Bills			Winter Monthly Bills			Tariff
	Current	Proposed	Change	Current	Proposed	Change	
1,000 kWh usage	\$156	\$144	-8%	\$143	\$133	-7%	R-R Bill
2,000 kWh usage	\$306	\$281	-8%	\$230	\$232	1%	R-R Bill
3,000 kWh usage	\$455	\$418	-8%	\$316	\$330	4%	R-R Bill
4,000 kWh usage	\$604	\$555	-8%	\$402	\$428	6%	R-R Bill
Small Business							
1,000 kW demand and 100,000 kWh usage	\$17,749	\$14,238	-20%	\$17,749	\$13,916	-22%	GS-2 Primary
1,000 kW demand and 300,000 kWh usage	\$37,245	\$29,876	-20%	\$37,245	\$28,910	-22%	GS-3 Primary
Industrial Business							
20,000 kW demand and 6 million kWh usage	\$507,465	\$423,228	-17%	\$507,465	\$404,268	-20%	GS-4
20,000 kW demand and 12 million kWh usage	\$832,612	\$775,112	-7%	\$832,612	\$737,192	-11%	GS-4
Ohio Power Rate Zone							
Household	Summer Monthly Bills			Winter Monthly Bills			Tariff
	Current	Proposed	Change	Current	Proposed	Change	
1,000 kWh usage	\$141	\$137	-3%	\$141	\$133	-5%	RS Bill
2,000 kWh usage	\$265	\$261	-2%	\$265	\$254	-4%	RS Bill
3,000 kWh usage	\$389	\$384	-1%	\$389	\$374	-4%	RS Bill
4,000 kWh usage	\$513	\$507	-1%	\$513	\$494	-4%	RS Bill
Small Business							
1,000 kW demand and 100,000 kWh usage	\$16,896	\$15,521	-8%	\$16,896	\$15,199	-10%	GS-2 Primary
1,000 kW demand and 300,000 kWh usage	\$35,403	\$30,715	-13%	\$35,403	\$29,749	-16%	GS-2 Primary
Industrial Business							
20,000 kW demand and 6 million kWh usage	\$584,463	\$443,698	-24%	\$584,463	\$424,738	-27%	GS-4 Transmission
20,000 kW demand and 12 million kWh usage	\$897,602	\$816,035	-9%	\$897,602	\$778,115	-13%	GS-4 Transmission

Recovery Mechanisms



Existing Riders - No Change	Abbreviation	Rider Type	Over/Under Recovery
Economic Development	EDR	Nonbypassable	Yes
Enhanced Service Reliability	ESRR	Nonbypassable	Yes
Deferred Asset Phase-In Rider	DAPIR	Nonbypassable	Yes
Alternative Energy Rider	AER	Bypassable	Yes
Energy Efficiency/Peak Demand Reduction	EE/PDR	Nonbypassable	Yes
Retail Stability Rider	RSR	Nonbypassable	Yes
Universal Service Fund Rider	USF	Nonbypassable	N/A
kWh Tax Rider	kWh Tax	Nonbypassable	No
Residential Distribution Credit Rider	RDCR	Nonbypassable	No
Pilot Throughput Balancing Adjustment Rider	PTBAR	Nonbypassable	Yes
Phase-In Recovery Rider	PIRR	Nonbypassable	Yes
Transmission Under Recovery Rider	TURR	Nonbypassable	Yes

Riders - Changes Requested	Abbreviation	Rider Type	Over/Under Recovery
Distribution Investment Rider	DIR	Nonbypassable	Yes
Storm Damage Cost Recovery Mechanism/Rider	SDRR	Nonbypassable	Yes

Riders - Eliminated/Replaced	Abbreviation	Rider Type	Over/Under Recovery
gridSMART Rider (Phase I)	gridSMART®	Nonbypassable	Yes
Transmission Cost Recovery	TCRR	Bypassable	Yes
Fuel Adjustment Clause	FAC	Bypassable	Yes
Generation Resource Rider	GRR	NA	NA
Pool Termination Rider	PTR	NA	NA
Base Generation Rates (All Schedules)		Bypassable	No

New Proposed Riders	Abbreviation	Type	Recovery
gridSMART Rider (Phase II)	gridSMART®	Nonbypassable	Yes
Sustained and Skilled Workforce	SSWR	Nonbypassable	Yes
NERC Compliance and Cybersecurity Rider	NCCR	Nonbypassable	Yes
Bad Debt Rider	BDR	Nonbypassable	Yes

Riders Replacing Existing Mechanisms	Abbreviation	Rider Type	Over/Under Recovery	Replaces
Auction Cost Reconciliation Rider	ACRR	Bypassable	Yes	Base Generation and Fuel Adjustment Clause
Power Purchase Agreement Rider	PPA	Nonbypassable	Yes	
Generation Energy	GENE	Bypassable	Yes	
Generation Capacity	GENC	Bypassable	Yes	
Basic Transmission Cost Rider	BTCR	Nonbypassable	Yes	TCRR

Purchase of Receivables Program (POR)



- Agreement between the CRES provider and the Company to purchase allowable receivables billed on behalf of the CRES
- Though not required by an ESP, the Company is offering voluntarily as part of the overall ESP package
- There will be a zero discount rate to the POR if the Bad Debt Rider is approved
- Benefits of offering a POR:
 - POR programs attract more CRES providers
 - Customers can be placed on the Company's Budget and Average Monthly Payment programs
 - Customer deals with one entity for billing
 - Promotes positive shopping experience for customers

Questions?

