

AEP-Ohio's Electric Security Plan Application

History of Electric Deregulation in Ohio

A law enacted in 1999 restructured Ohio's electric industry by changing the way customers shop for electricity. The law, which took effect January 2001, provided for a five-year market development period. During this time, the utilities' rates were frozen to allow a competitive retail market to develop.

As the end of the market development period neared, there was a growing concern that an immediate shift to market-based rates in 2006 would not be in the best interest of customers. To minimize the effects of rate "sticker shock" and transition customers to market-based rates, the Public Utilities Commission of Ohio (PUCO) worked with Ohio's electric utilities to develop rate stabilization plans.

The rate stabilization plans, along with other changes, eliminated market uncertainty and provided customers with stable rates. Most of these plans expired at the end of 2008. In 2008, the Ohio General Assembly passed Senate Bill 221 to keep electric rates stable going forward, create jobs, implement energy efficiency and expand Ohio's alternative energy industry. The new law incorporated a system under which rates would be approved by the PUCO beginning in 2009. Senate Bill 221 also outlined alternative paths for electric utilities to implement different forms of market-based pricing.

Electric Security Plan 101

An electric security plan (ESP) is a rate plan for the supply and pricing of electric generation service. The PUCO approved AEP-Ohio's first ESP in March 2009, setting gradual increases for the base price of electric generation through December 2011. For Columbus Southern Power customers, total annual bill increases were capped at 7 percent in 2009 and 6 percent in 2010 and 2011. Ohio Power customers saw total bill increases capped at 8 percent in 2009, 7 percent in 2010 and 8 percent in 2011.

What did AEP request in its 2011 ESP application?

AEP filed an ESP application in January 2011. AEP proposed a plan implemented in two phases, with the first phase running from January through December 2012, and the second phase from January 2013 through May 2014. In addition, AEP's application proposed investments in its energy delivery systems, alternative energy, energy efficiency and demand response initiatives, and economic development and job retention programs.

The PUCO held five local public hearings across Ohio, gathering input about the application from more than 60 witnesses.

Did AEP and other stakeholders reach an agreement regarding the company's proposal?

Yes. In September 2011, AEP and 19 other parties representing a wide range of interests filed a stipulation that settles many of the issues in the ESP proposal and several other cases. The stipulation was signed by AEP, PUCO Staff, the Ohio Manufacturers Association, the Ohio Energy Group, environmental groups, and energy suppliers among others. The PUCO publicly vetted the agreement during 13 days of hearings at which 30 witnesses provided testimony and faced cross-examination.

How did the PUCO rule on the ESP?

In December 2011, the PUCO modified and approved the September 2011 agreement. Under the approved ESP, AEP would have transitioned to a market-based generation rate structure over a four and a half year period between January 2012 and May 2016.

How did the PUCO address concerns over rates after the ESP was implemented?

Upon further consideration of arguments raised by parties who did not sign the September 2011 settlement agreement, and upon becoming aware of the actual impacts of the agreement, the Commission found that the agreement did not benefit rate payers and is not in the public interest. Therefore, in February 2012, the PUCO disapproved the settlement agreement and ordered AEP to return its rates, as mandated by Ohio law, to levels similar to those in place in December 2011. These rates will remain in place until a new rate plan is adopted.

The PUCO directed AEP to file a modified ESP application and reopened intervention in the ESP case to allow any party to participate in the proceedings.

What is included in AEP-Ohio's 2012 modified ESP filing?

On March 30, 2012, AEP-Ohio filed a modified ESP application. AEP-Ohio's new proposal would separate its generation assets from its distribution and transmission assets. The modified ESP would set generation prices through 2014, and transition to competitive market-based auctions beginning in 2015.

The application and accompanying testimony are available on the PUCO Docketing Information System (DIS) website at <http://dis.puc.state.oh> by entering case number 11-346-EL-SSO into the search field.

In its application, AEP-Ohio states the average residential customer using 1,000 kWhs per month would see their bill increase between \$6.24 for customers in the Ohio Power rate zone and \$7.40 for customers in the Columbus Southern Power rate zone. Below are estimated bill impacts for customers at different usage levels.

Columbus Southern Power Rate Zone				
	2012	2013	2014	
Household	Change	Change	Change	Tariff
1,000 kWh usage	5.89%	0.26%	0.41%	RR Winter Bill
2,000 kWh usage	5.45%	-0.01%	0.31%	RR Winter Bill
Small Business				
1,000 kW demand and 100,000 kWh usage	1.80%	0.22%	0.36%	GS-2 Primary
1,000 kW demand and 300,000 kWh usage	2.93%	-0.24%	0.18%	GS-3 Primary
Industrial Business				
20,000 kW demand and 12 million kWh usage	1.28%	-1.01%	0.00%	GS-4
Ohio Power Rate Zone				
	2012	2013	2014	
Household	Change	Change	Change	
1,000 kWh usage	5.50%	5.27%	0.37%	RS Bill
2,000 kWh usage	5.30%	5.54%	0.33%	RS Bill
Small Business				
1,000 kW demand and 100,000 kWh usage	5.17%	4.34%	0.44%	GS-2 Primary
1,000 kW demand and 300,000 kWh usage	4.20%	5.61%	0.21%	GS-2 Primary
Industrial Business				
20,000 kW demand and 12 million kWh usage	3.50%	8.83%	0.00%	GS-4 Transmission
* The 2013 and 2014 percentage increases are the increases over the previous year				

What about “capacity costs?”

In March 2012, the PUCO approved interim capacity costs for AEP-Ohio. Capacity costs are those charged by AEP-Ohio to competitive retail electric service providers who use AEP-Ohio’s lines to sell electricity to AEP-Ohio distribution customers. These interim rates are set to expire on July 2, 2012, and a separate proceeding is ongoing to determine capacity costs going forward. Information on this proceeding is also available on the PUCO DIS website at <http://dis.puc.state.oh.us> by entering case number 10-2929-EL-UNC in the search field.

How can I make my voice heard?

Four local public hearings have been scheduled to provide customers an opportunity to testify.

- **Canton**
April 26, 2012 at 6 p.m.
Oakwood Middle School
2300 Schneider Road, N.E.
- **Chillicothe**
May 1, 2012 at 6 p.m.
Ohio University Chillicothe
Bennett Hall Auditorium
101 University Drive
- **Columbus**
April 30, 2012 at 6 p.m.
Wolfe Park Shelter House
105 Park Drive
- **Lima**
May 3, 2012 at 6 p.m.
Lima Municipal Center
City Council Chambers
50 Town Square, 1st floor

Customers may also comment online or in writing by addressing letters with case number 11-0346-EL-SSO in the subject line to:

PUCO
Attn: Docketing Division
180 E. Broad Street
Columbus, OH 43215

When will the PUCO rule on the modified ESP application?

An evidentiary hearing began on May 14, 2012 at 10 a.m. Oral arguments are scheduled to take place July 3, 2012.

The PUCO anticipates ruling on the company's modified application sometime this summer.

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