



AEP Ohio CBP Stakeholder Workshops First Portion of the Second Workshop

Thursday, November 8, 2012



Stakeholder Workshop Agenda

Thursday

- 12:30PM-1:30PM
 - Review general comments received from stakeholders on the "Proposal for Key Elements of the CBP" document
- Presentation on Bidding Rules and Communications Protocols
- 2:00PM-5:00PM
 - Stakeholder input and discussion

Friday

- 12:30PM-1:30PM
 - Presentation on Master Energy Supply Agreement ("MESA")
- 2:00PM-5:00PM
 - Stakeholder input and discussion

Parties will have opportunity to ask questions about the MESA tomorrow.



Three Stakeholder Workshops Planned

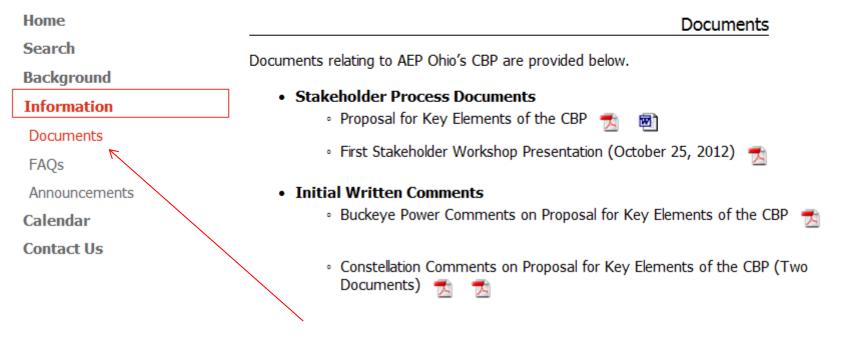
| ESP Opinion and Order | Wednesday, August 8, 2012 |
|---|---|
| Key Elements of CBP posted to web site | Monday, October 22, 2012 |
| First Stakeholder Workshop | Thursday, October 25, 2012 |
| Initial Written Comments due | Monday, October 29, 2012 |
| Draft CBP Documents posted to web site | Monday, November 05, 2012 |
| Second Stakeholder Workshop | Thursday, November 08, 2012 and Friday, November 09, 2012 |
| Written Comments on Draft CBP Documents due | Tuesday, November 13, 2012 |
| Third Stakeholder Workshop (if needed) | Tuesday, November 27, 2012 |



All Comments posted to AEPOhioCBP.com



AEP Ohio Competitive Bidding Process for SSO Supply



Click on "Information" and then on "Documents" link



Topic 1 Review

- Comments on Key Elements



Determination of Energy Volumes

Proposal: Determine schedule on the day following delivery

- Load identified using best available PJM data as of InSchedule deadline would be used to determine energy volume for which suppliers are responsible
- True-ups with suppliers only in the case of significant deviations from load identified during PJM 60-day reconciliation process

Comments:

- Some suppliers expressed a preference for using final load determined as part of the 60-day reconciliation process as opposed to backcast load
- One supplier suggested a cash-out process for deviations between the initial backcast and the final load reconciliation performed by AEP Ohio using PJM real-time prices



Determination of Energy Volumes

- In Draft Master Energy Supply Agreement, AEP Ohio adopted the proposed cash-out proposal using PJM real-time prices and use of final reconciled loads when the initial backcast is outside of an 80-120% band of the final load (see: "Hourly Energy Share Adjustment")
- This provision will capture significant estimation or metering errors and insulate both parties from such problems
- This provision will also limit the amount of such adjustments that will need to be made
- The determination of energy loads using the best available PJM data as of the daily schedule deadline is a key element of the process of determining CRES load responsibility and AEP Ohio is committed to making such calculations as accurate as possible



ARRs and Delivery Point

Proposal:

- ARRs are not provided to suppliers
- Delivery point to be AEP Zone or AEP-Ohio aggregate zone

Comment:

 ARRs should be provided to suppliers if delivery point is not the AD Hub

- [AEP Load Zone] is the delivery point in the Master Energy Supply Agreement representing the aggregate area of consumption for AEP Ohio within PJM
- If AEP Ohio provided ARRs to suppliers it would take these funds away from customers in the hope that customers would receive the funds back in the form of a lower energy price, but there is no assurance that this would be the case



Product Uniformity

Question of clarification:

Is the product uniform across auctions?

Response: While there are different delivery periods following the Commission's ESP decision, the product is uniform in all other respects throughout this CBP:

- Slice-of-system
- Energy only
- Same MESA "form of agreement" will apply

Further each tranche will represent a fixed percentage of the hourly energy requirements of SSO customers

Tranche Size



Proposal:

- Tranche size is 1% for first auction
- Tranche size is expected to remain at 1% for future auctions, but may be revised as needed to help sustain supplier interest

| Constant 1% tranche size | | | | |
|--------------------------|----------|--------|------------|-------|
| % | Total MW | SSO MW | # tranches | MW/tr |
| 10 | 1000 | 500 | 10 | 50 |
| 25 | 2500 | 1100 | 25 | 44 |
| 25 | 2500 | 800 | 25 | 32 |
| 40 | 4000 | 1200 | 40 | 30 |

| With a constant tranche |
|--------------------------|
| size, the SSO MW per |
| tranche may fall to the |
| point where it would |
| impair supplier interest |
| |

| Change to 1.25% tranche size in third auction | | | | |
|---|-----------------|-------------------|----|-------|
| % | Total MW | SSO MW # tranches | | MW/tr |
| 10 | 1000 | 500 | 10 | 50 |
| 25 | 2500 | 1100 | 25 | 44 |
| 25 | 2500 | 800 | 20 | 40 |
| 40 | 4000 | 1200 | 32 | 38 |

The proposal allows the possibility to adjust the tranche size upwards if needed to temper erosion in the SSO MW per tranche



Tranche Size

Comment:

Different tranche sizes across auctions may be confusing to suppliers

- Modification of tranche size is to enhance supplier interest
- Generally modified only if migration is significant
- Still considering comment and would consider more information and specific input on potential downside of proposal

Auction Timing



Proposal:

AEP Ohio proposes four auctions each with a single product

| Product Type | Auction Timing | % requirements | 7/2013 5/2014 | 6/2014 5/2015 |
|--------------|----------------|----------------|---------------|---------------|
| Long | May 2013 | 10 | | |
| One-Year | January 2014 | 25 | | |
| One-Year | March 2014 | 25 | | |
| Stub | June 2014 | 40 | | |

Comments:

 A variety of small modifications were proposed to the delivery periods and timing of the auctions

- Delivery periods set by the ESP decision
- Proposal balances having sufficient volumes at auction to attract supplier interest while holding multiple auctions to avoid exposure to pricing at single point in time



Credit – Pre-Bid Security

Proposal: Pre-bid security of \$500,000/tranche

- Pre-Bid Letter of Credit is required for the first auction
- Cash to be considered in subsequent auctions
- A letter of intent to provide a guaranty (LIPG) or a letter of reference may also be required depending on creditworthiness

Comments:

- Cash as an option
- Amount of pre-bid security should be adjusted based on migration
- LIPG provided once for the entire CBP



Credit – Pre-Bid Security

- Many processes must be put in place to implement the CBP and comply with corporate separation order. The process of receiving cash as prebid security is deferred to future auctions
- Amount of pre-bid security follows the ICR schedule established in the contract, which is not expected to be adjusted (note that the adjustment in tranche size could mitigate this concern)
- LIPG is acknowledgment from the guarantor that the guarantor is aware of the bidder relying on the guarantor's financial standing to bid and is required each auction

Data



Proposal: Data to be provided includes:

- Hourly energy for SSO customers
- Hourly energy for CRES load in the aggregate
- Broken down into residential, small commercial & industrial, and large commercial & industrial
- Provided separately for Columbus Southern Power and Ohio Power rate zones pre and post merger

Comments:

- Provide customer counts for CRES and SSO customers
- Provide data related to aggregation programs
- Provide CSP rate zone data by group (residential, small C&I and large C&I)

- Bidding Rules incorporate comments of providing customer counts and providing the data by group separately for CSP And OPCo rate zones
- Providing load data divided between shopping due to aggregation and other shopping is a substantial additional effort that may be considered in the future



Communications Protocol - AM report to PUCO

Proposal: At the conclusion of each auction:

The Auction Manager presents the results of the auction to the PUCO in a report

Comments:

 Auction Manager should inform winning bidders when the Auction Manager presents the results to PUCO

Response:

 This comment has been incorporated into the draft Bidding Rules (see VI.1.2).



Energy Requirement follows SSO Load

Question of clarification:

Whether PIPP (percent of income payment) load is excluded from SSO Load?

Response: SSO customers take retail generation from AEP Ohio

- Includes PIPP customers
- Includes special contract customers
- Excludes sales made to interruptible customers during requested interruptions
- SSO Customers are defined in MESA



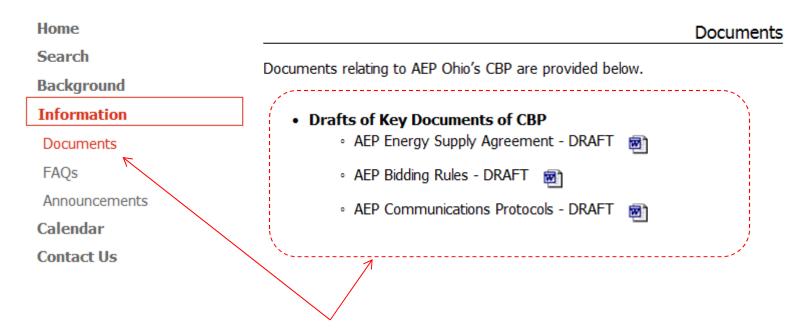
Topic 2 Overview of Bidding Rules and Communications Protocol



Draft documents posted on November 5



AEP Ohio Competitive Bidding Process for SSO Supply



Click on "Information" and then on "Documents" link



Bidding Rules – Road Map

Article I – Introduction

Article II – Information to Bidders

Article III – Products and Auctions

Article IV – Pre-Auction Process

Article V – Bidding in the Auction

Article VI – Post-Auction process

Article VII - Contingency Plans

provides sample schedule

describes the two-part application process including processing of applications

Describes re-bidding of tranches left unfilled or defaulted upon

Article VIII – Association and Handling of Confidential Information

Article IX - Miscellaneous

Certifications contained in the Duke application forms



Communications Protocols are similar to Duke's

Protocol is organized by relevant Parties to Process

- 1. Definitions and Principles
 - 2. AEP Ohio
 - 3. General Public and Media

Details on definition of confidential versus public information; list of individuals with access to confidential information

Most undertakings found in bidding rules; two-day turnaround for FAQ process

4. Bidders

5. Public Utilities Commission of Ohio

Reiterates process for submission of report and post-auction timing

Appendix A. Acknowledgment and Confidentiality Agreement



Reminder Comment Process



Stakeholder Process Overview

- Stakeholders have an opportunity to ask questions and provide comments at this workshop
- Draft Documents (dated Nov. 5) are in MS word for comments
- Submit written comments via email to OhioCBP@aep.com
- Comments may be provided as redlines using the Microsoft Word version of the drafts of key documents posted to the CBP website

Written Comments Due: 6PM EST on Tuesday, November 13, 2012