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BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the Application of )  
Columbus Southern Power Company )  
and Ohio Power Company for Approval )  
of Their Plan to Provide Additional )  
Options for Customer Participation in the )  
Electric Market. )

Case No. 06-1153-EL-UNC

COLUMBUS SOUTHERN POWER COMPANY'S  
AND OHIO POWER COMPANY'S  
PLAN TO PROVIDE ADDITIONAL OPTIONS  
FOR CUSTOMER PARTICIPATION IN  
THE ELECTRIC MARKET

By order dated January 26, 2005 in Case No. 04-169-EL-UNC the Commission authorized Columbus Southern Power Company and Ohio Power Company (AEP Ohio) to implement a Rate Stabilization Plan (RSP).<sup>1</sup> Based on the specific facts in the record in the RSP Case, the Commission did not require AEP Ohio to conduct a Competitive Bid Process (CBP) as part of the RSP. The Commission's decision was appealed to the Ohio Supreme Court.

The appeal raised a number of alleged errors, including the Commission's decision to not require a CBP. On July 5, 2006, the Court issued its decision in Ohio Consumers' Counsel v. Pub. Util. Comm., 109 Ohio St. 3d 511, 2006 Ohio 3054. Citing an earlier decision in Ohio Consumers' Counsel v. Pub. Util. Comm., 109 Ohio St. 3d 328, 2006 Ohio 2110 and the second proposition of law in appellant's brief in the appeal of AEP Ohio's RSP Case, the Court vacated the Commission's decision and remanded the RSP Case for further proceedings not inconsistent with the Court's earlier decision. The Court's order did not address the other issues raised on

<sup>1</sup> In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Approval of a Post-Market Development Period Rate Stabilization Plan – the "RSP Case."

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appeal, except to note that the appellant was not precluded from raising its other propositions of law in a future appeal from the Commission.

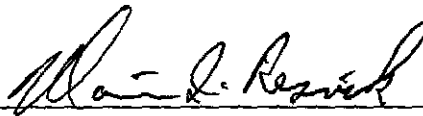
On August 9, 2006, the Commission issued an Entry in the RSP Case. The Commission concluded that AEP Ohio's RSP "shall remain effective as the Section 4928.14(A), Revised Code, standard service offer." (Entry, p. 2). The Commission went on to state that it "will follow the provision of Section 4928.14(B), Revised Code, to provide an option for customers to purchase electric service at a price determined through a competitive bid process, or through another means if the Commission is satisfied that the option would be readily available and accessible to customers." (Id.). In that connection, the Commission directed AEP Ohio to file "its plan for complying with the requirements of Section 4928.14, Revised Code, within 45 days of the entry." (Id.). The plan was to be filed in a new docket.

AEP Ohio continues to believe that its RSP fully complies with Ohio law, including §4928.14, Ohio Rev. Code. Nonetheless, in light of the Court's remand of the RSP Case and the Commission's August 9<sup>th</sup> Entry, AEP Ohio has developed options for customer participation in the electric market. These options, which are presented in Exhibit A to this filing, provide a process whereby customers would be able to purchase electric generation service at a price determined through a CBP. As an outgrowth of discussions AEP Ohio has had with the Office of Consumers Counsel (OCC), and at OCC's request, one of those options provides for the potential to obtain "green power" through a CBP.

AEP Ohio requests that the Commission approve this plan as promptly as possible. As explained in Exhibit A, implementation of the plan will take a number of months. Since the plan would expire with the conclusion of the RSP itself (December 31, 2008), AEP Ohio believes that

the longer this additional option is in effect before expiring, the greater the likelihood that it will benefit customers.

Respectfully submitted,



Marvin I. Resnik, Trial Attorney  
American Electric Power Service  
Corporation  
1 Riverside Plaza, 29<sup>th</sup> Floor  
Columbus, Ohio 43215  
(614) 716-1606  
Fax: (614) 716-2950  
**miresnik@aep.com**

Daniel R. Conway (0023058)  
Porter Wright Morris & Arthur LLP  
41 South High Street  
Columbus, Ohio 43215  
(614) 227-2270  
Fax No. (614) 227-2100  
**dconway@porterwright.com**

COUNSEL FOR COLUMBUS SOUTHERN  
POWER COMPANY AND OHIO POWER  
COMPANY

## AEP Ohio Competitive Bid Options

### **Eligibility**

All of AEP Ohio's customers will be eligible to participate in the Competitive Bid Options (the "Program"). Participating customers will receive generation service from AEP Ohio at prices determined through a competitive bid. The Program is a voluntary, market-based alternative offered to customers by AEP Ohio and is not a switch of service to a CRES provider.

### **Overview**

There are two Competitive Bid Options in the Program: standard power service and green power service. The Program will seek bids for standard power service and also for green power service at specific generation pricing levels. The generation pricing levels will reflect either a percentage discount or a percentage adder to AEP Ohio's Rate Stabilization Plan (RSP) prices. For green power service, the energy supplied will have a minimum 50% green content as defined below. For standard power service, there are no restrictions on content. Customers will have the opportunity to commit up-front to a specific option and price and will receive that option and price if a successful bid is obtained through a Request for Proposals. All non-committed customers will have a second opportunity to affirmatively participate in the Program based upon the bids received.

### **Term**

Participation in either Competitive Bid Option will begin as soon as practical and be for the remainder of the Rate Stabilization Plan period, which ends December 31, 2008. It is anticipated that implementation of the Program as described below will take at least several months.

### **Independent Monitor**

An Independent Monitor will be selected through a solicitation and approved by the Commission. The Independent Monitor will be responsible for receiving, tabulating and summarizing the results of the Customer Enrollment Solicitations and the Request for Proposals. If required, the Independent Monitor will be responsible for administering a lottery selection process should customer enrollment exceed available supply. If required, the Independent Monitor will be responsible for the allocation of load among suppliers should available supply exceed customer enrollment.

### **Initial Customer Enrollment Solicitation**

An informational mailing and response card will be sent to all AEP Ohio customers. The response card will indicate customers' commitment to participate in an option at a given price level selected by the customer from a range of pricing levels that are below, at and above their RSP default service rates. The pricing levels will be established as a percentage decrease or increase in customers' generation price, which is a varying percentage of customers' total cost.

## AEP Ohio Competitive Bid Options

**Initial Customer Enrollment Solicitation (continued)**

For illustration purposes, the mailing could include a selection table like the one below:

Competitive Bid Option	Price Level	Selection (Only Choose 1)
<b>Green Power</b>	Same Price	
	5% Generation Premium (2-4% of Total Bill)	
	15% Generation Premium (6-12% of Total Bill)	X
	25% Generation Premium (10-20% of Total Bill)	
<b>Standard Power</b>	Discounted Price	
	Same Price	
	5% Generation Premium (2-4% of Total Bill)	
	15% Generation Premium (6-12% of Total Bill)	
	25% Generation Premium (10-20% of Total Bill)	

Customers would be considered willing to participate at any price level at or below their selected price for that option. Customers willing to participate at a given price for the standard power option would also be considered at that price for the green power option.

Responses will be received and tabulated by an Independent Monitor and a summary of the results will be included in the Request for Proposals.

**Request for Proposals (RFP)**

Wholesale bids will be sought for all options and price levels. Bids will be accepted for all options and price levels, including any for which there was no customer response.

All bids submitted must state the maximum supply in whole MWs that the bidder will provide for a given option and price level. Suppliers submitting discounted bids must also specify the percentage discount offered. Suppliers submitting green power bids must specify the percentage green content and provide adequate documentation of the green content.

Suppliers may submit bids for premiums greater than 25%. If demand exceeds supply for lower price levels or no bids are received for lower price levels, the lowest bid received will be offered to customers.

## AEP Ohio Competitive Bid Options

### **Request for Proposals (RFP) (continued)**

AEP Ohio's rates by customer class, number of customers that responded in each class, and customer class load profiles or actual historic interval load data will be made available in the RFP. Total load based upon customer responses for each option and price level will also be provided.

For each option, the total load for a price level will include the load for all higher price levels. The load for a given price level for the green power option would also include the load for the standard power option at that price level.

For example the total potential load for the "same price" green power option will include the load for the price levels of same price, 5% premium, 15% premium and 25% premium for both standard and green power options.

Suppliers must meet all AEP commercially reasonable standards for transacting at the wholesale level, including creditworthiness.

### **Customer Enrollment**

Once the bids have been received and analyzed by the Independent Monitor, customers that responded to the initial enrollment will be notified of a successful bid and placed in the Program. All other customers will be notified of the available offerings based upon the bids and will have 21 days to opt-in during this final enrollment period.

Non-committed customers will be asked to select either the standard or green option and indicate the maximum price level offering that they would be willing to accept.

Customers will be placed on the lowest price level for which there is sufficient supply. If customer load exceeds supply for a given price level, the Independent Monitor will attempt, if practical, to solicit additional supply from the winning bidders to meet the additional load. If inadequate supply still exists, customers will be selected by a lottery performed by the Independent Monitor. Each option, standard and green, will be filled from the lowest price level to the highest price level following the process described above. Customers will only be included in lotteries for price levels equal to or less than the maximum price indicated in their opt-in reply.

Customers that opt-in during the open enrollment will be notified of whether or not they were successfully placed in the Program.

Participating customers will be billed all of the same standard service rates and riders that are applicable to non-participants. In addition, participating customers' base generation billings will be adjusted up or down by the percentage associated with the option and price level under which they take service.

Once the 21-day opt-in period expires, no additional enrollments will be accepted. Customers that discontinue service at the service address during the Program will not be replaced.

## AEP Ohio Competitive Bid Options

### **Wholesale Supply**

Only bids meeting all requirements of the RFP, including creditworthiness, will be considered. Winning bids will be selected based upon price. For the green power option, green content will be the selection criteria for bids having the same price.

If there are multiple winning bids having the same price and the same green content (for the green power option), and the cumulative amount of such bids exceeds the customer load that has subscribed for that product, then each winning bidder will be awarded a prorated share of the customer load based upon the maximum MWs each bidder offered to supply.

Bidders will be notified of the amount of initial enrollment load assigned for each option and price level. Bidders will also be notified of additional load awarded after the final enrollment period.

Payment to the winning bidders will be based upon actual customer participation and those customers' generation billings. The generation price shall be equivalent to base generation rates plus or minus the premium/discount plus all generation riders except the IGCC Cost Recovery Charge Rider (for Ohio Power and Columbus Southern Power) and the Power Acquisition Rider (for Columbus Southern Power).

Customers would return to default services under the RSP in the event of supplier default.

### **Green Power**

Fifty percent or more of the energy supplied for green power service must come from green resources or include renewable energy certificates from green resources. Green resources shall be defined as Wind, Solar Photovoltaic, Biomass Co-Firing of Agricultural crops and all energy crops, Hydro (as certified by the Low Impact Hydro Institute), Incremental Improvements in Large Scale Hydro, Coal Mine Methane, Landfill Gas, Biogas Digesters, Biomass Co-Firing of All Woody Waste including mill residue, but excluding painted or treated lumber. Only green resources that have been brought into service on or after January 1, 2001 shall qualify.

### **Administrative Costs**

The cost of administering the program will be collected from all customers through a non-bypassable charge.

### **Metering**

Customers that opt-in to the Program will be subject to the same metering requirements as those for switching customers in the Company's Supplier Terms and Conditions of Service - i.e. interval meters are required for customers having maximum monthly billing demands of 200 kW or greater for the most recent twelve months. The customer shall pay the cost of any such interval metering facilities.