11-346-EL-SSO 2

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Where You Turn

October 31, 2011

FILE

The Honorable Todd Snitchler
88 East Broad Street
12th Floor
Columbus, Ohio 43215

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Dear Chairman Snitchler:

As you know, AEP Ohio has reached agreement with a wide range of stakeholders on its Electric Security Plan, Capacity and Merger cases that are before the Commission.

While we remain concerned about the irreversible march to market this structural change imposes, the agreement provides for the best opportunity to affect a smooth transition to a market-based pricing model for customers of all sizes, while encouraging economic development and asset investment in the state of Ohio.

The agreement appropriately addresses important rate design issues--specifically, the Load Factor Provision and the Interruptible Credit. These two features are especially important for energy-intensive industries for which the cost of electricity impacts competitiveness. Retaining these provisions will go a long way toward making Ohio more attractive when decisions are made regarding strategic investment and creation or retention of high-paying manufacturing jobs.

The agreement also eliminates several non-bypassable non-fuel generation related charges, thus providing customers with greater rate certainty, the ability to avoid potential rate increases, and improved prospects of gaining value in the competitive market.

During this transition, AEP Ohio has agreed to provide increasing quantities of its generation to marketers at deeply discounted rates to aid in the development of a robust competitive market.

Furthermore, the stipulation protects Ohio consumers by allowing for dedicated, in-state generation to be built as a hedge against potentially volatile market prices.

AEP Ohio has committed to economic development throughout the state by agreeing to develop the AEP Ohio Growth Fund and will contribute $5 million annually to the fund, while also investing in new distribution assets to maintain and improve reliability.

AEP Ohio also has committed to facilitate the development of shale gas by entering into competitively priced long-term shale-gas contracts with producers who commit to investment and employment growth in the state.

This stipulation was signed by more than 20 organizations representing a broad range of residential, commercial and industrial customers, competitive retail electricity suppliers, environmental groups, communities and other key stakeholders.

The breadth of support (as evidenced by the signatories) speaks volumes as to the balance and fairness it embodies. The settlement is far better in the aggregate than the Market Rate Option (MRO), does not violate any important regulatory principle or practice, and, as a package, benefits customers and the public interest.

We hereby request the Commission to enter this letter into the docket in case #11-0346-EL-SSO, and respectfully urge the Commission's approval of the stipulation, as filed, as soon as possible.

Sincerely,

Salvatore J. Miraglia, Jr.
President – Steel

Robert J. Lapp
Vice President – Government Affairs & Community Relations

cc: The Honorable John Kasich
Commissioner Steven Lesser
Commissioner Andre Porter
Commissioner Paul Centolella
Commissioner Cheryl Roberto
Beth Hansen
Wayne Struble
Jai Chabria
Craig Butler
Senator Scott Oelslager
Rep. Christina Hagan
Rep. Kirk Schuring
Rep. Stephen Slesnick
Senator David Burke
Rep. Jeffrey McClain
Senator Jason Wilson
Rep. Joe Schiavoni
Rep. Mark Okey
Rep. Al Landis
Senator Dave Daniels
Representative Peter Stautberg
Denny Larr