

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of)	
Columbus Southern Power Company and)	
Ohio Power Company for Authority to)	Case No. 11-346-EL-SSO
Establish a Standard Service Offer)	Case No. 11-348-EL-SSO
Pursuant to §4928.143, Ohio Rev. Code,)	
in the Form of an Electric Security Plan.)	
In the Matter of the Application of)	
Columbus Southern Power Company and)	Case No. 11-349-EL-AAM
Ohio Power Company for Approval of)	Case No. 11-350-EL-AAM
Certain Accounting Authority)	

**OHIO POWER COMPANY'S
MODIFIED ELECTRIC SECURITY PLAN**

I. AEP Ohio's current Standard Service Offer rates

Through a March 18, 2009 Opinion and Order and a July 23, 2009 Entry on Rehearing in Case Nos. 08-917-EL-SSO and 08-918-EL-SSO, the Commission approved a modified Electric Security Plan (ESP) to be in effect for AEP Ohio from 2009 through the end of 2011. Although the Commission approved a new ESP for AEP Ohio in its December 14, 2011 Opinion and Order, the Commission subsequently reversed its decision and rejected the ESP in its February 23, 2012 Entry on Rehearing. Citing § 4928.143(C)(2)(b), Revised Code, the Commission issued a March 7, 2012 Entry approving tariffs that reinstituted the first ESP rate plan effective March 9, 2012.

During the period leading up to December 31, 2011, Columbus Southern Power Company (CSP) and Ohio Power Company (OPCo) were separate subsidiary electric utility operating companies of American Electric Power Company, Inc. (AEP) though they conducted their combined business in Ohio as "AEP Ohio." On December 31, 2011, after receiving approvals from the Public Utilities Commission of Ohio (Commission) and the Federal Energy Regulatory Commission, CSP merged with OPCo with OPCo being the surviving entity.

As relevant to this application, OPCo (generally referred to herein as “AEP Ohio”) is an “electric distribution utility,” “electric light company,” “electric supplier” and “electric utility” as those terms are defined in §4928.01 (A) (6), (7), (10) and (11), Ohio Rev. Code, respectively.

Through a March 7, 2012 Entry in Case No. 10-2376-EL-UNC, the Commission reiterated its approval of the merger and provided that CSP and OPCo rate zones would be maintained until they are modified in another proceeding. As set forth in Company witness Roush’s Exhibit DMR-4, AEP Ohio proposes in connection with the modified ESP that several rates be changed from having separate rate zones to being unified rates for all AEP Ohio customers.

II. Summary of the Modified Electric Security Plan and Requested Relief

An electric distribution utility (EDU) may comply with §4928.141(A)'s standard service offer (SSO) requirement through either a market rate offer (MRO), pursuant to §4928.142, Ohio Rev. Code, or an ESP, pursuant to 4928.143, Ohio Rev. Code. Pursuant to § 4928.143, Ohio Rev. Code and as set forth in greater detail below, AEP Ohio is proposing an ESP to fulfill its obligation to provide an SSO under §4928.141, Ohio Rev. Code. The Applicant seeks the Commission's approval of an ESP based on §4928.143, Ohio Rev. Code, and Rule 4901:1-35, Ohio Admin. Code, for a term commencing on June 1, 2012 and ending May 31, 2015.

The Company has approached the modified ESP in a manner that is consistent with S.B. 221. For example, the ESP addresses a range of issues that are broader than simply focusing on the SSO for competitive retail electric services. The Company’s ESP, as described in this application and in supporting Company testimony, also address provisions regarding their distribution service (See §4928.143 (B) (2) (d) and (h), Ohio Rev. Code); provisions that promote retail electric competition, including highly discounted capacity charges; economic development and job retention (See §§4928.02(N), 4928.143 (B) (2) (i) and 4905.31 (E), Ohio Rev. Code); the alternative energy resource requirements of §4928.64, Ohio Rev. Code; the

energy efficiency requirements of §4928.66, Ohio Rev. Code (See also §§4928.143 (B) (2) (i) and 4905.31 (E), Ohio Rev. Code); preserving and expanding the development of competition for retail electric services in its territory in accordance with §4928.02(B) and (C), Ohio Rev. Code; and other matters. That being said, the primary focus of the application concerns SSO pricing issues.

The modified ESP which addresses this broad range of issues will have the effect of stabilizing and providing certainty regarding retail electric service (§4928.143 (B) (2) (d), Ohio Rev. Code) and is “more favorable in the aggregate as compared to the expected results that would otherwise apply under section 4928.142 of the Revised Code.” (§4928.143, (C) Ohio Rev. Code). The terms of the modified ESP offer AEP Ohio customers financial stability and reasonable electricity rates while offering investors some measure of financial stability. Each of the major components of the modified ESP is critical to AEP Ohio’s future and need to be addressed in order for the Company to remain in transition to a fully competitive auction-based SSO. Through a separate application, AEP Ohio is proposing to implement structural corporate separation, including the transfer of generation assets at net book value to an affiliated generation company. Legal corporation separation, along with termination of the AEP Interconnection Agreement (also known as the AEP Pool), are needed in order to facilitate the quick transition to an auction-based SSO and implement a permanent and fully competitive structure for AEP Ohio.

Accordingly, as set forth below in greater detail, AEP Ohio requests that the Commission:

1. approve the proposed ESP without modification, including all accounting authority needed to implement the proposed riders and other aspects of the ESP as proposed;
2. approve new rates under the modified ESP effective with the first billing cycle of June, 2012 and continuing through the last billing cycle of May, 2015; and

3. approve the separate application for structural corporate separation.

III. Filing Requirements of Rule 4901:1-35-03(C), Ohio Admin. Code

A. Description of Supporting Testimony

A more complete description of and support for the modified ESP is provided through the testimony of the Company witnesses listed in the following table, with each witnesses' subjects also being referenced in the table.

Witness	General Subject Area	General Description of Testimony
Robert Powers	Overview of the ESP	<ul style="list-style-type: none"> • Overview of the AEP Ohio modified ESP • Capacity price overview • Retail Stability Rider • Auction process overview • Corporate separation overview • Integrated package of terms and conditions
Selwyn Dias	General Policy Witness	<ul style="list-style-type: none"> • Advancement of state policies • Components of the modified ESP riders • Alternative Energy Standards • Phase In Recovery Rider
Philip Nelson	Capacity Plan Corporate Separation Fuel Adjustment Clause (FAC) Generation resource rider (GRR) Alternative energy rider (AER) Pool termination & modification	<ul style="list-style-type: none"> • FRR/Capacity obligation • Transfer of AEP Ohio generation assets • Cost Recovery Mechanisms for fuel, renewable energy credits, new capacity, and pool termination
David Roush	Tariffs and Rate Design Customer Rate Impacts	<ul style="list-style-type: none"> • Modifications to the tariffs, terms and conditions of service • Design of the proposed rates and riders • Implementation and bill impacts
William Allen	Capacity Pricing Distribution Investment Rider (DIR) Retail Stability Rider (RSR) Detailed Implementation Plan (DIP)	<ul style="list-style-type: none"> • Two tiered capacity pricing • Description of how the DIR will function and the DIR revenue requirement • Need for and basis for the RSR • Customer switching levels
Laura Thomas	Aggregate Market Rate Offer (MRO) Test	<ul style="list-style-type: none"> • Aggregate MRO test • Competitive benchmark price development
Renee Hawkins	AEP Ohio's Capital Structure Securitization of Deferred Fuel Updated credit agency reports	<ul style="list-style-type: none"> • Capitalization, weighted average cost of capital (WACC), and carrying costs • Rationale and benefits of securitization of Deferred Fuel • Recent credit agency reports indicate the negative impact of the revoked ESP on the Company's credit
Oliver Sever	Pro-forma financial statements	<ul style="list-style-type: none"> • Forecast methodology • Forecast assumptions and results

Witness	General Subject Area	General Description of Testimony
Thomas Mitchell	Regulatory accounting	<ul style="list-style-type: none"> • Regulatory accounting details for proposed riders • Regulatory accounting for future recovery of deferrals
Thomas Kirkpatrick	Distribution Investment Rider (DIR) Enhanced Service Reliability Rider (ESRR) Storm Damage Recovery Mechanism gridSMART®	<ul style="list-style-type: none"> • Overview and description of the Distribution investment rider, which includes investment in Distribution programs • Vegetation program, gridSMART® program, and storm damage
Jay Godfrey	Request prudence for cost recovery of the Timber Road wind renewable energy power purchase agreement (REPA)	<ul style="list-style-type: none"> • Company's experience in renewable energy • Ohio renewable energy market • Timber Road wind REPA
Frank Graves	Capacity Markets and the Reliability Pricing Model	<ul style="list-style-type: none"> • Detailed discussion of PJM capacity market

B. *Pro Forma* Financial Projections of the Effect of the Modified ESP

Pro forma financial projections of the effect of the modified ESP for the duration of the ESP are presented in the testimony of Company witness Sever as part of Exhibit OJS-2 and the assumptions made and methodologies used in deriving the *pro forma* projections are listed in Exhibit OJS-1.

C. Projected Rate Impacts of the Modified ESP

Projected rate impacts by customer class/rate schedules during the ESP are contained in the testimony of Company witness Roush and Exhibit DMR-1.

D. Description of the Corporate Separation Plan and Demonstration that the Plan Complies with §4928.17, Ohio Rev. Code and Rule 4901:1-37, Ohio Admin. Code

AEP Ohio provides a description of its corporate separation plan, to be adopted pursuant to §4928.17, Ohio Rev. Code, through a separate application filed concurrently with the modified ESP (Case No. 12-1126-EL-UNC) and cross referenced in the testimony of Company witnesses Powers and Nelson filed in support of the modified ESP. After more than a decade of following the provisional approach of functional corporate separation, the Company submits that it is time to fully and finally implement the goal of §4928.17, Ohio Rev. Code. Though the

Company is requesting specific amendments to the corporate separation plan as part of a separate docket, approval of full structural separation (*i.e.*, generation divestiture) is a critical and necessary prerequisite for the Company's modified ESP proposal to transition toward and implement an auction-based SSO.

E. Status of the Operational Support Plan

Pursuant to Rule 4901:1-35-03(C)(5), Ohio Admin. Code, AEP Ohio states that its Operational Support Plan has been implemented and that it is not aware of any outstanding problems with its implementation.

F. Description of How the Company Addresses Governmental Aggregation and Implementation of Divisions (I), (J), and (K) of §4928.20, Ohio Rev. Code and the Effect on Large-Scale Governmental Aggregation of Unavoidable Generation Charges

For the modified ESP, the Company's plan for addressing governmental aggregation programs and the implementation of divisions (I), (J), and (K) of §4928.20, Ohio Rev. Code, and the effect on large-scale governmental aggregation of any unavoidable generation charges, is to preserve and expand retail competition opportunities through discounted capacity pricing in support of shopping load and an expedited transition to a fully competitive, auction-based SSO structure. The Company's proposed nonbypassable generation charges do not have an adverse impact on large-scale governmental aggregation.

G. State Policies Enumerated in §4928.02, Ohio Rev. Code, Are Advanced by the Modified ESP

A detailed account of how the modified ESP is consistent with and advances the policies of this state enumerated in §4928.02(A) through (N), Ohio Rev. Code, is provided by Company witness Dias.

H. Statement Regarding Qualifying Transmission Entity

OPCo and AEP Ohio Transmission Company, Inc. are members of PJM Interconnection, which is a qualifying transmission entity, as that term is used in §4928.12, Ohio Rev. Code.

I. Executive Summary

An executive summary of the modified ESP is included in the testimony of Company witness Powers and Exhibit RPP-1.

IV. Standard Service Offer Rate Provisions of the Modified ESP

A. Generation Rates

1. SSO Generation Service Rider (base generation rate)

In order to minimize overall rate impacts on individual customers and help stabilize non-fuel generation SSO rates, OPCo is proposing as part of a comprehensive ESP package of terms and conditions to freeze current non-fuel generation rates until such time as those rates are established through a competitive bidding process. AEP Ohio is proposing to bundle the current Environmental Investment Carrying Charge Rider (EICCR) and the base generation rates for the CSP and OPCo rate zones, respectively, such that the EICCR would no longer exist. Under this approach, no customer taking SSO service will see a change in non-fuel generation charges during the entire pre-auction ESP period. The base generation rates are discussed in Company witness Roush's testimony and shown in Exhibit DMR-1.

2. Fuel Adjustment Clause

The proposed ESP includes continuation and modification of a bypassable Fuel Adjustment Clause (FAC), as discussed in the testimony of Company witnesses Nelson and Mitchell. The Company is proposing to modify the FAC by removing renewable energy credits (RECs) currently recorded in Account No. 557 from the FAC, and recovering this expense through a new Alternative Energy Rider, which is discussed separately below. In addition, bundled purchased power products, or REPAs, currently recorded in Account No. 555, will be split into their REC and non-REC components. The REC component will be recovered through the AER and the non-REC portion will continue to be recovered through the FAC. The

Company also proposes to unify the rates for each FAC rate zone into a single set of merged rates, on a delayed basis as discussed in the testimony of Company witness Roush. A summary and brief description of the types of fuel costs encompassed within the proposed FAC is found in the testimony of Company witness Nelson and Exhibit PJN-4, as is a description of the plants that the cost pertains to and a narrative pertaining to the procurement policies and procedures.

3. Alternative Energy Rider

The modified ESP includes establishment of a bypassable Alternative Energy Rider (AER). The Company is proposing to begin recovery of REC expense via the AER instead of the FAC starting in the modified ESP. REC expense is the identified renewable value of cost associated with acquiring or creating renewable energy. The energy and capacity costs of renewable energy resources would continue to be recovered through the FAC. Additional details on the proposed rider are discussed in the testimony of Company witnesses Nelson and Mitchell.

4. Generation Resource Rider

The Generation Resource Rider (GRR) is a new nonbypassable rider designed to collect the costs associated with AEP Ohio's investment in generating facilities in accordance with §4928.143 (B) (2) (c), Ohio Rev. Code. This proposed rider is nonbypassable and is designed to recover renewable and alternative capacity additions, as well as, more traditional capacity constructed or financed by the Company and approved by the Commission. The rider will be established as a placeholder rider, such that any charges included in the GRR will need to be approved in a separate Commission proceeding during the term of the modified ESP.

The proposed Turning Point solar project will be the first capacity resource addition to be included in the GRR, if approved. After the Commission first determines need for the Turning Point facility in the pending Long-Term Forecast Report proceeding (Case Nos. 10-501-EL-FOR and 10-502-EL-FOR), the Company will make a separate EL-RDR filing proposing the rate level for the nonbypassable charge for the life of the facility. To the extent it is necessary to

implement the above-described approach, the Company requests a waiver of Rule 4901:1-35-03(C)(3) or (C)(9)(b), Ohio Admin. Code.

5. Interruptible Service Rates

The modified ESP includes modification and continuation of Interruptible Service Rates. The credit under Rider IRP-D will be the current base generation rate demand charge discount under Schedule IRP-D relative to Schedule GS-4 adjusted upward to reflect the roll-in of the EICCR, which is consistent with AEP Ohio's proposal for all other base generation rates. Upon approval of the RSR, AEP Ohio is willing to increase the IRP-D credit to \$8.21 per kW-month. If approved, this increased level of credit would reduce the base generation revenues and would be reflected in the RSR. Additional details on interruptible service rates are discussed in the testimony of Company witness Roush.

AEP Ohio's existing interruptible service offerings are being restructured to reflect the transition to participation in the PJM Interconnection LLC (PJM) Base Residual Auction for the June 2015 to May 2016 delivery year and the transition to the use of a competitive bid process to meet AEP Ohio's SSO obligation. Consistent with this transition, AEP Ohio proposes to permit retail customer participation in PJM demand response programs. Schedule Interruptible Power – Discretionary (IRP-D) will be restructured as Rider IRP-D, reflecting an offset to firm service rates. AEP Ohio is also proposing to eliminate Rider Emergency Curtailable Service (ECS) and Rider Price Curtailable Service (PCS), including the proposed changes pending in Case Nos. 10-343-EL-ATA and 10-344-EL-ATA. Customers with peak demand response attributes that have cleared in the PJM market that are also receiving an incentive payment through a reasonable arrangement shall commit such peak demand response attributes to the Company at no additional cost. Finally in this regard, AEP Ohio proposes that it be allowed to issue an RFP to meet any remaining peak demand reduction mandates.

6. Retail Stability Rider

The modified ESP includes establishment of a nonbypassable Retail Stability Rider (RSR). Because the Company is proposing as part of the integrated package of terms and conditions in the proposed ESP, including highly discounted capacity pricing to support shopping load, the Company would be in a precarious financial position during the ESP term without the RSR. This would cause the Company to implement significant cost controls and could trigger negative job impacts in Ohio. In order to provide stability and certainty to both customers and the Company, the RSR is a generation revenue decoupling charge that would be paid by shopping and non-shopping customers during the period prior to June 2015 when the Company will no longer be providing capacity to serve its entire connected load as an FRR entity. Additional details on the proposed rider are discussed in the testimony of Company witnesses Allen and Roush.

B. Pro-Competitive Proposals including Discounted Capacity Charges

Retail shopping is swiftly expanding in AEP Ohio's service territory and the modified ESP is designed to preserve and expand this shopping trend – through a series of pro-competitive proposals. With the modified ESP II, AEP Ohio has committed to adjust its business plan to a fully competitive energy and capacity market by June 1, 2015 to address the Commission's recent policy directive,¹ it is important to bear in mind that each of these features is fully dependent upon the total package of inter-related terms and conditions of the proposed ESP and none stands alone. Moreover, the pro-competitive proposals are being advanced as part of the ESP package that contains benefits to both customers and AEP Ohio.

As referenced above, the modified ESP is premised upon structural corporate separation being approved and implemented, as well as the termination of the AEP Interconnection

¹ In AEP Ohio Case 10-2376-EL-UNC, Entry(March 7,2012) at 5-6

Agreement (also known as the “AEP Pool”). As explained in the testimony of Company witness Powers, the modified ESP also proposes to quickly transition AEP Ohio to an energy auction for 100% of SSO load for delivery commencing January 2015, provided that its Corporate Separation plan and AEP Pool termination are approved and implemented before that time. Moreover, for the purpose of facilitating a smooth transition to the full SSO energy auction in January 2015, AEP Ohio is also willing to engage in an energy-only, slice-of-system auction for 5% of SSO load as part of the ESP package prior to January 2015; based on the express condition of financially being made whole. The early energy auction would be for delivery beginning six months after final orders are both issued adopting the ESP as proposed and the corporate separation plan as filed and with the delivery period extending through December 31, 2014.

These pro-competitive provisions and aggressive transition schedule enable AEP Ohio to achieve a fully competitive SSO much faster than is possible under a market rate option. The modified ESP also proposes to resolve other competitive issues between AEP Ohio and CRES providers competing in its service territory (*e.g.*, eliminating the 90-day advanced notice for shopping), as discussed in the testimony of Company witness Roush.

Another important competitive issue relates to the price charged for using AEP Ohio’s capacity resources to support shopping load within its service territory. Issues regarding the appropriate capacity charges for AEP Ohio are currently pending before the Commission in Case No. 10-2929-EL-UNC. The modified ESP proposes – only as part of the integrated package of ESP terms and conditions and without waiving its independent litigation position in the 10-2929 case – a capacity charge structure whereby highly discounted capacity charges are offered during the remaining period that AEP Ohio remains contractually obligated to remain a Fixed Resource Requirements (FRR) entity in the PJM Interconnection, LLC (PJM) capacity market. The discounted capacity charge structure is described in more detail in the testimony of Company

witnesses Powers and Allen. By proposing this alternative capacity pricing as a part of the integrated ESP package with other benefits to AEP Ohio, the Company is not waiving or otherwise compromising its litigation position in the 10-2929 case and reserves the right to pursue any available legal remedies or avenues of relief before any state or federal administrative agency or court. AEP Ohio emphasizes the importance of keeping the 10-2929 litigation moving forward in an expedited procedural schedule in parallel with the modified ESP proceeding, especially in light of the present expiration date that is established for the interim relief granted in the Commission's March 7, 2012 Entry in the 10-2929 case. Until such time that final orders are issued by the Commission approving the proposed ESP without modification and approving the Company's corporate separation filing as proposed, the Company will continue to prosecute its litigation position in the 10-2929 case.

C. Transmission Rates

The Company proposes to retain the Transmission Cost Recovery Rider (TCRR) mechanism as it is presently comprised, except that AEP Ohio proposes to unify the rates for each rate zone into a single set of merged rates. Annual filings for the TCRR will comply with the requirements of Chapter 4901:1-36, Ohio Admin. Code. Continuation of the TCRR is discussed in the testimony of Company witnesses Mitchell and Roush.

D. Distribution Rates

1. Distribution Investment Rider

The modified ESP includes establishment of a Distribution Investment Rider (DIR). The purpose of this rider is to provide capital funding for distribution assets needed to support distribution asset management programs, distribution capacity and infrastructure additions driven by customer demand and support the continued implementation of advanced technology including AEP Ohio's gridSMART[®] initiative. Once established, the rider rate will be updated

periodically. Additional details on the proposed rider are discussed in the testimony of Company witnesses Allen, Kirkpatrick, Roush and Mitchell.

2. gridSMART[®] Rider

The modified ESP includes continuation of the gridSMART[®] Rider. While the Company proposes to unify the rates for each rate zone into a single set of merged rates, the proposed rider is otherwise a continuation same rider previously approved by the Commission in Case Nos. 08-917-EL-SSO, 08-918-EL-SSO and 10-164-EL-RDR. The rider rate will continue to be updated periodically. Additional details on the proposed rider are discussed in the testimony of Company witnesses Kirkpatrick, Roush and Mitchell.

3. Enhanced Service Reliability Rider

The modified ESP includes continuation of a Enhanced Service Reliability Rider (ESRR). While the Company proposes to unify the rates for each rate zone into a single set of merged rates, the proposed rider is otherwise the same rider approved and addressed by the Commission in Case Nos. 08-917-EL-SSO, 08-918-EL-SSO and 10-163-EL-RDR, updated to reflect the anticipated program costs during the ESP term. The rider rate will continue to be updated periodically. Additional details on the proposed rider are discussed in the testimony of Company witnesses Kirkpatrick, Roush and Mitchell.

E. Energy Efficiency/Peak Demand Reduction Rider

The modified ESP includes modification and continuation of a Energy Efficiency/ Peak Demand Reduction Rider (EE/PDR). While the Company proposes to unify the rates for each rate zone into a single set of merged rates, the proposed rider is otherwise the same rider approved and addressed by the Commission in Case Nos. 08-917-EL-SSO, 08-918-EL-SSO, 09-1089-EL-POR, 09-1090-EL-POR, 11-5568-EL-POR and 11-5569-EL-POR. The rider rate will

continue to be updated periodically. Additional details on the proposed rider are discussed in the testimony of Company witnesses Dias, Roush and Mitchell.

F. Economic Development Rider

The modified ESP includes continuation and modification of a nonbypassable Economic Development Rider (EDR). While the Company proposes to unify the rates for each rate zone into a single set of merged rates, the proposed rider is otherwise the same rider approved and addressed by the Commission in Case Nos. 08-917-EL-SSO, 08-918-EL-SSO, 09-1095-EL-RDR and 10-1072-EL-RDR. The rider rate will continue to be updated periodically. Additional details on the proposed rider are discussed in the testimony of Company witnesses Roush and Mitchell.

G. Continuation of Statutory and Existing Miscellaneous Riders

The Company plans to continue implementing other existing riders during the term of the modified ESP, as detailed in the testimony of Company witness Roush and Exhibit DMR-4.

V. New Accounting Deferrals and Recovery of Existing Regulatory Assets

The Company filed Case Nos. 11-4920-EL-RDR and 11-4921-EL-RDR to establish the Phase In Recovery Rider (PIRR) for collection of the deferred fuel expenses authorized for recovery starting in January 2012 by the Commission's final, non-appealable decision in Case Nos. 08-917-EL-SSO and 08-918-EL-SSO. To date, the Commission has not approved the PIRR or otherwise implemented this aspect of *ESP I*, as is presently required under §4928.143(C)(2)(b), Ohio Rev. Code. Nevertheless, as part of the integrated package of terms and conditions presented in the modified ESP and without waiving its lawful rights and remedies related to the PIRR implementation, AEP Ohio is proposing to delay the commencement of PIRR recovery until June 2013 (with the end of the recovery period remaining as December 31,

2018), while continuing to accrue during the continuing deferral period a weighted average cost of capital carrying charge as authorized in the *ESP I* decision. Accordingly, the Company requests that the Commission consider the delayed PIRR as part of the modified ESP and suspend the procedural schedule currently established in Case Nos. 11-4920-EL-RDR and 11-4921-EL-RDR. The delayed PIRR proposal is being coordinated with the delayed unification of the FAC rates, as discussed in the testimony of Company witnesses Dias and Roush.

The modified ESP includes approval for accounting deferrals including a major storm damage recovery mechanism proposal discussed in the testimony of Company witnesses Kirkpatrick and Mitchell.

The modified ESP includes approval for accounting deferrals for future recovery of net book value of retired meters related to the expansion of gridSMART[®] discussed in the testimony of Company witnesses Kirkpatrick and Mitchell.

VI. Work Papers

Filed with this modified ESP is a complete set of work papers, consistent with Rule 4901:1-35-03(G), Ohio Admin. Code. The work papers include all pertinent documents prepared by the Company for the Application and an explanation, narrative or other support of the assumptions used in the work papers. Parties are also being electronically served with the native files containing the work papers.

VII. Waiver Requests

Under Rule 4901:1-35-02(B), Ohio Admin. Code, the Commission may grant requests to waive any requirement of Chapter 4901:1-35 for good cause shown. Because this modified ESP was filed in the existing proceeding and was submitted in response to the Commission's March 7, 2012 Entry, AEP Ohio submits that the SSO filing requirements do not apply to this filing. But in the spirit of transparency and efficiency, AEP Ohio has attempted to comply with the filing requirements in making this filing, except as otherwise noted as it relates to waiver

requests herein. As discussed in Paragraph IV.A.5 above, to the extent it is necessary to implement the described approach regarding approval of the GRR and the Turning Point project, the Company requests a waiver of Rule 4901:1-35-03(C)(3) or (C)(9)(b), Ohio Admin. Code. To the extent that the relief requested in this application requires a waiver of any other filing requirements found in Chapter Rule 4901:1-35, Ohio Admin. Code, the Company requests such a waiver.

VIII. Service of the Application

As required by Rule 4901:1-35-04(A), Ohio Admin. Code, the Company is providing, concurrent with the filing of this Application and any waiver requests, an electronic copy of the filing to each party in the current SSO proceeding, Case Nos. 11-346-EL-SSO and 11-348-EL-SSO. In a manner consistent with Rule 4901:1-35-04(B), Ohio Admin. Code, attached as Attachment 1 to this Application is a proposed notice for newspaper publication that fully discloses the substance of the modified ESP, including projected rate impacts, and that prominently states that any person may request to become a party to the proceeding.

WHEREFORE, AEP Ohio requests that the Commission find and order as follows:

1. That the Company's modified ESP is more favorable in the aggregate as compared to the expected results that would otherwise apply under section 4928.142 of the Revised Code."
2. That the Company's ESP be approved, including all accounting authority needed to implement the proposed riders and other aspects of the ESP as proposed;
3. That the Company's proposed tariffs be approved; and
4. That the Commission issue such other orders as may be just and proper.

Respectfully submitted,

/s/ Steven T. Nourse
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Attachment 1

LEGAL NOTICE

Ohio Power Company (OPCo) is a subsidiary electric utility operating company of American Electric Power Company, Inc. OPCo conducts its business in Ohio as “AEP Ohio.” As a result of the recent merger of Columbus Southern Power Company into OPCo, there are two rate zones: CSP rate zone and OPCo rate zone. AEP Ohio has filed with the Public Utilities Commission of Ohio (PUCO) Case No. 11-346-EL-SSO and 11-348-EL-SSO, *In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to §4928.143, Ohio Rev. Code, in the Form of an Electric Security Plan*, and Case No. 11-349-EL-AAM and 11-350-EL-AAM, *In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Approval of Certain Accounting Authority*. In these cases the Commission will consider AEP Ohio’s request for approval of its new Electric Security Plan (ESP) that includes its standard service offer (SSO), effective with the first billing cycle of June 2012, through the last billing cycle of May 2015. The ESP, which includes the SSO pricing for generation, also addresses provisions regarding distribution service, economic development, alternative energy resource requirements, energy efficiency requirements and other matters. Rates for some customer classes will increase and rates for other classes will decline; however, on average for all customer classes, CSP rate zone will experience average annual 2% total rate increases during the ESP period and OPCo rate zone customers will see average annual 4% total rate increases during the ESP period. AEP Ohio proposes to recover certain other costs through riders during the ESP period; however, those costs and the subsequent rate impacts are not known at this time.

Any person may request to become a party to the proceeding.

Further information may be obtained by contacting the Public Utilities Commission of Ohio, 180 East Broad Street, Columbus, Ohio 43215-3793, viewing the Commission’s web page at <http://www.puc.state.oh.us>, or contacting the Commission’s call center at 1-800-686-7826.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of Ohio Power Company's Modified Electric Service Plan has been served upon the below-named counsel and Attorney Examiners by electronic mail to all Parties this 30th day of March, 2012.

/s/ Steven T. Nourse

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Summary: Application electronically filed by Mr. Steven T Nourse on behalf of Ohio Power Company