BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Seeking Approval of Ohio Power Company's Proposal to Enter into an Affiliate Power Purchase Agreement for Inclusion in the Power Purchase Agreement Rider	))))	**Case No. 14-1693-EL-RDR**
In the Matter of the Application of Ohio Power Company for Approval of Certain Accounting Authority	)))	**Case No. 14-1694-EL-AAM**

DIRECT TESTIMONY OF

LAEL CAMPBELL

ON BEHALF OF INTERVENORS

CONSTELLATION NEWENERGY, INC.

EXELON GENERATION COMPANY, LLC

AND

RETAIL ENERGY SUPPLY ASSOCIATION

September 11, 2015

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I. INTRODUCTION

A. IDENTIFICATION OF WITNESS

Q1. Please state your name and your business address.

A1. My name is Lael Campbell, and my business address is 101 Constitution Avenue NW, Washington, DC 20001.

Q2. By whom are you employed?

A2. I am employed by Exelon Corporation.

Q3. Please describe your position with Exelon Corporation.

A3. I am Director, State Government and Regulatory Affairs for Exelon Corporation and for Constellation, an Exelon Corporation. In this role, I am responsible for advocating for and implementing regulatory and legislative policies for Exelon Corporation's retail marketing subsidiary, Constellation NewEnergy, Inc., and its wholesale marketing affiliate Exelon Generation Company, LLC.

Q4. Please describe your educational and business experience.

A4. I earned a Bachelor of Arts from Dickinson College in Carlisle, PA in 1994 and a Juris Doctorate from Washington and Lee University School of Law in 1998. I have been with Exelon and Constellation for over seven years. Prior to my current role, I served as Assistant General Counsel with Exelon where I was responsible for providing legal and regulatory support to Exelon Generation's wholesale trading and marketing business. Before that, I served as Senior Regulatory Counsel for Constellation, supporting the regulatory activities of the Constellation NewEnergy, Inc.'s, retail business, in addition to Constellation's wholesale market activities before state and Federal regulatory agencies across the country. My previous experience prior to joining Constellation includes over five years as a Senior Trial Attorney at the U.S. Commodity Futures Trading Commission, where I represented the agency in numerous matters relating to physical and financial commodity markets, including energy markets.

Q5. On whose behalf are you testifying?

A5. I am testifying today on behalf of Exelon Generation Company, LLC and Constellation NewEnergy, Inc., each of which is a wholly-owned subsidiary of Exelon Corporation (collectively referred to hereafter as "Exelon"). In addition, I am also appearing today on behalf of the Retail Energy Supply Association ("RESA").

Q6. Please describe Exelon Generation Company and indicate its interest in this proceeding.

A6. Exelon Generation Company, LLC ("Exelon Generation" or "ExGen") is one of the largest competitive power generators in the U.S., with more than 30,000 megawatts ("MW") of owned capacity, comprising one of the nation's cleanest and lowest-cost power generation fleets including nuclear, fossil, hydroelectric, solar, landfill gas, and wind generation assets, located in a number of organized markets. Exelon owns and/or operates 24 of the nation's 100 nuclear reactors in five states and is the nation's largest owner and operator of nuclear generation, with plants located in Illinois, Pennsylvania, Maryland, New Jersey, and New York. Exelon has made significant investments in renewable generation. It owns and operates 1,640 MW of hydroelectric generation, 410 MW of solar, and 1,420 MW of wind, making Exelon one of the nation's leading renewable generators. As part of this clean energy portfolio, Exelon Generation operates the nation's largest urban solar power plant, Exelon City Solar, a 10 MW solar installation located on a 41-acre brownfield in Chicago, and two of the largest hydroelectric facilities in the Eastern United States, Conowingo Hydroelectric Generating Station and Muddy Run Pumped Storage Facility totaling 1,640 MWs of capacity. Exelon Generation markets wholesale energy and capacity products to municipal, cooperative, and investor-owned utilities, retail suppliers, retail energy aggregators, merchant participants, power marketers, and major commodity trading houses. Exelon Generation has sold power to Ohio electric distribution utilities ("EDUs") pursuant to competitive wholesale procurement events overseen by the Public Utilities Commission of Ohio ("PUCO" or "the Commission").

Q7. Please provide some background on Constellation NewEnergy, Inc.

A7. Constellation NewEnergy, Inc. ("CNE"), a subsidiary of Exelon Generation, provides electricity and/or energy-related services to retail customers in Ohio as well as in every other state in the Continental U.S. and the District of Columbia, serving more than 150,000 business customers and two and a half million residential customers nationwide. CNE holds a competitive retail electric service ("CRES") certificate from the PUCO to engage in the sale of competitive electric service to retail customers in Ohio, and currently provides service to customers in every customer class in Ohio.

Q8. Has Exelon participated in Ohio's electric market development proceedings?

A8. Yes. Exelon Generation and Constellation Energy Commodities Group, Inc., which was subsumed by Exelon Generation, have been active participants before the Commission for a number of years. Exelon Generation has participated as a bidder in almost every electric security plan ("ESP") competitive supply offering by an Ohio utility. CNE additionally has been an active participant before the Commission and the Ohio General Assembly for a number of years. CNE was an ardent advocate in the wake of the passage of Senate Bill 221 for the use of a competitive procurement process as a better means for setting the rates that would be charged to Standard Service Offer ("SSO") customers, and has participated in every ESP and Market Rate Offer case since that time. Exelon and RESA have participated in the most recent American Electric Power electric security plan ("ESP III") proceedings involving AEP Ohio ("Ohio Power" or "AEP") in Case Nos. 13-2385-EL-SSO, et al. That case is the precursor to this matter, as AEP Ohio is asking to expand its power purchase agreement rider ("Rider PPA") to include additional ratepayer guarantees.

Q9. Please describe RESA.

A9. RESA is a broad and diverse group of retail energy suppliers who share the common vision that competitive energy retail markets deliver a more efficient, customer-oriented outcome than a regulated utility structure. Several RESA members are certificated as CRES providers and are active in the Ohio retail market. Specifically, some of RESA's members currently provide CRES to customers in the AEP Ohio area. This testimony that I am presenting represents the position of RESA as an organization, but may not represent the views of each and every particular RESA member. RESA's members include: AEP Energy; Champion Energy Services, LLC; ConEdison Solutions; Constellation NewEnergy, Inc.; Direct Energy Services, LLC; DPL Energy Resources, Inc.; Dynegy; GDF Suez Energy Resources NA, Inc.; IDT Energy; IGS Energy; Just Energy; Liberty Power; MC2 Energy Services; Mint Energy, LLC; NextEra Energy Services; Noble Americas Energy Solutions, LLC; Nordic Energy Services, LLC; NRG Energy, Inc.; Stream Energy; Talen Energy; TransCanada Power Marketing Ltd.; and TriEagle Energy, L.P.

B. PURPOSE OF TESTIMONY

Q10. What is the purpose of your testimony?

A10. I developed my testimony and recommendations based upon Exelon's and RESA's longstanding advocacy for the advancement of competitive markets, as well as a desire to effectuate the goals of Ohio's State Energy Policy (Section 4928.02, Ohio Revised Code), which supports retail competition and forbids anti-competitive subsidies.[1] As part of its ESP III proposal in Case Nos. 13-2385-EL-SSO, *et al.*, AEP Ohio proposed its Power Purchase Agreement or PPA Rider which the Commission approved on an unfunded, placeholder basis.[2] My testimony will address concerns with AEP Ohio's proposal to fund ratepayer guarantees for 3,100 MW of existing coal-fired generation owned by its non-regulated affiliate AEP Generation Resources, Inc. ("AEPGR"). Because the PPA Rider is non-bypassable, the guaranteed return to AEPGR will be funded by all the AEP Ohio's regulated retail customers, regardless of whether they receive their electric power supply from AEP Ohio via the Standard Service Offer or from a CRES provider. This ratepayer guarantee would be in place for the entire life of the applicable plants, at least one of which is not expected to retire until 2051[3]. The AEP Ohio application, if

[1] Section 4928.02 of the Ohio Revised Code provides, in relevant part, the following:

> It is the policy of this state to do the following throughout this state: ...(B) Ensure the availability of unbundled and comparable retail electric service that provides consumers with the supplier, price, terms, conditions, and quality options they elect to meet their respective needs;... [and] (H) Ensure effective competition in the provision of retail electric service by avoiding anticompetitive subsidies flowing from a noncompetitive retail electric service to a competitive retail electric service or to a product or service other than retail electric service, and vice versa, including by prohibiting the recovery of any generation-related costs through distribution or transmission rates[.]

[2] See Case Nos. 13-2385-EL-SSO et al., Opinion and Order, at pages 25-27 (February 25, 2015).

[3] Zimmer power plant jointly owned with Dynegy is not expected to retire until 2051. *See* AEP Witness Pearce's Direct Testimony at Exhibit KDP-1 page 7. The ratepayer guarantee though would only extend to AEPGR's holdings.

implemented, threatens the retail market in the AEP Ohio service territory and the state of Ohio as a whole.

C. SUMMARY OF POSITION

Q11. Please summarize Exelon's and RESA's position in this proeeeding.

A11. There are significant problems associated with the proposed PPA Rider as it runs counter to the substantial progress that the State of Ohio, the Commission, and AEP Ohio have made towards the transition to full retail and wholesale competition. AEP Ohio seeks approval to enter into a new inter-affiliate PPA between AEP Ohio and AEPGR, through which AEP Ohio would purchase the output from more than 2,500 MW of coal-fired generating units owned by in part or in whole by AEPGR. In addition, AEP Ohio seeks to include in the PPA Rider its existing contractual entitlement to a share of the electrical output of two coal-fired generating units owned by the Ohio Valley Electric Corporation ("OVEC"), bringing the amount of coal-fired generation covered under the PPA Rider to over 3,100 MW.[4] Under the proposed PPA Rider, AEP Ohio seeks authority to pass through to customers the differential between revenues and costs including a return on and of equity for the included power plants. AEP Ohio will sell the PPA-acquired generation into the PJM Interconnection LLC ("PJM") markets, and the non-bypassable PPA Rider will either credit or charge both shopping and non-shopping customers the difference between the cost of the inter-affiliate PPA and the revenues AEP Ohio receives for the generation and capacity in the market. The proposed term of the PPA

[4] These coal generation facilities include AEPGR's:

- 100% ownership interest in the Cardinal plant Unit 1 (595MW) located in Jefferson, OH,
- 43.5% ownership interest in Conesville Unit 4 (339MW) located in Conesville, OH,
- 100% ownership interest in Conesville Units 5&6 (810MW) located in Conesville, OH,
- 26% ownership interest in the Stuart plant (608MW) located in Aberdeen, OH, and
- 25.4% ownership interest in W.H. Zimmer (330MW) located in Moscow, OH.

In addition, the PPA Rider would include AEP's 19.93% ownership interest in the OVEC coal-fired generation (423MW), which includes Clifty Creek, a unit that is located outside of Ohio in Indiana.

Rider is for the life of the plants. The W.H. Zimmer plant has a remaining life of 36 years (2051) and the estimated lives of the other plants range from 18 to 23 years (2033 – 2038).[5]

AEP Ohio claims that the purpose of the proposed PPA Rider is to "stabilize rates" for shopping and non-shopping customers and that the PPA Rider will provide these customers with a "safety net" to volatile market prices.[6] To the extent the PPA Rider will provide a rate-stabilizing hedge to the market, as will be discussed below, the recipient of that hedge is AEP Ohio's merchant affiliate AEPGR, not the Ohio consumers who will be paying a higher price for electricity than the competitive market could otherwise offer. AEP Ohio has presented a proposal that will likely increase costs to both shopping and non-shopping customers for the foreseeable future, with the benefits going primarily to its merchant affiliate. Forcing both shopping and non-shopping customers to be captive to a non-bypassable surcharge for the purpose of subsidizing generation owned by AEPGR is contrary to Ohio law and Federal law, and could effectively erase progress to date on the path toward robust retail competition in the AEP Ohio service territory and the State of Ohio.

The Rider PPA, if approved, will negatively impact the continuing efficacy of both the competitive wholesale and retail markets in Ohio and PJM. As explained further below, the PPA Rider will eviscerate the benefits received by Ohio customers currently supplied under fixed-price contracts and shielded from market volatility, as these customers will now be exposed to variable generation-based charges under the non-bypassable rider.

[5]AEP Witness Pearce's Direct Testimony at Exhibit KDP-1 page 7.
[6]*See* Application paragraphs 4 & 6, and AEP Witness Vegas's Direct Testimony at page 7-8.

The PPA Rider also poses a detrimental threat to the competitive wholesale market -- PJM. Because AEP Ohio and AEPGR will receive guaranteed cost recovery under the Rider, there is no incentive for AEP Ohio to offer the subsidized units into the wholesale market based on the variable costs of operating the units and other supply and demand fundamentals, potentially distorting wholesale market price formation and de-incentivizing new generation to be built in Ohio. In addition, the subsidies afforded to AEPGR via the PPA Rider would grant AEPGR an unfair advantage in its potential participation in competitive wholesale procurements for SSO supply by the EDUs in Ohio all of whom conduct SSO supply auctions.

The PPA Rider also poses a detrimental threat to the PJM capacity market and the reliability of the electrical grid. The proposal clearly shifts to ratepayers the risk of generator capacity revenue losses as well as penalties for non-performance, particularly under PJM's new Capacity Performance product. This is an unreasonable allocation of risk that eliminates the financial incentive for AEP Ohio and AEPGR to actually perform on a capacity obligation that was committed to PJM. Moreover, the PPA Rider would undermine the primary goals of the PJM Capacity Performance product to (a) make generators financially accountable for non-performance during periods of peak demand and (b) require them to invest the resources necessary to ensure generator performance.

As part of its application, AEP Ohio also addresses various criteria identified by the Commission for approving a PPA Rider.[7] These criteria establish the framework for the Commission to determine whether the benefits of the generation asset for which a ratepayer guarantee is sought outweigh the costs. My testimony will discuss how the AEP

[7] February 25, 2015 Opinion and Order issued in *In the Matter of the Application of Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to R.C. 4928.143, in the Form of an Electric Security Plan*, Case Nos. 13-2385-EL-SSO et al. (pg. 25).

Ohio PPA Rider fails to satisfy a number of these Commission mandated criteria, including:

- Financial need of the generating plant;
- An alternative plan to allocate the rider's financial risk between the company and its ratepayers;
- Necessity of the generating facility in light of future reliability concerns;
- Rigorous Commission oversight of the rider, including a process for periodic substantive review and audit; and
- Description of how the generating plant is compliant with all pertinent environmental regulations and its plan for compliance with pending environmental regulations.

II. THE COMMISSION SHOULD ELIMINATE THE PPA RIDER

A. DESCRIPTION OF THE PPA RIDER

Q12. Please describe your understanding of the PPA Rider.

A12. The PPA Rider proposal involves the purchase by AEP Ohio of the output from certain generation facilities from its affiliate AEPGR via a PPA, the sale of generation, capacity and ancillary services by AEP Ohio into the wholesale market, and the transfer of risk from shareholders to retail customers. The actual cost of the PPA will vary each year and will resemble full cost-of-service ratemaking that will allow AEPGR to recover costs associated with the units as well as taxes, depreciation, and a return on capital investments featuring a Return on Equity ("ROE") annually of no less than 8.9% nor more than 15.9%.[8] Second, AEP Ohio will sell the PPA-acquired generation, along with its existing share of the OVEC generation, into the PJM markets, including the day-ahead

[8] See Testimony of AEP Witness Hawkins page 6-7.

energy market and the PJM forward capacity market. In addition to the PPA costs and the OVEC generation costs, which are variable and will change from year to year, the revenues from the sales to PJM will be variable and predicated on wholesale market prices. The revenues from the sales will be "netted" with the costs under the inter-affiliate PPA and the OVEC costs, and the net debit or credit would be included in the proposed PPA Rider and collected on a non-bypassable basis from all customers in the AEP Ohio footprint.

Q13. How does AEP Ohio plan to implement the PPA Rider?

A13. AEP Ohio's proposed PPA Rider is a non-bypassable generation-related charge.

Q14. Please describe what you mean by "Non-Bypassable Generation-Related Charge."

A14. A non-bypassable generation-related charge is a fee or charge that the customer is required to pay to the utility regardless of whether the customer receives generation service from a CRES provider or the utility. Therefore, customers are held captive to non-bypassable charges because the charges cannot be avoided by switching to a CRES provider. Under the AEP Ohio proposal, ratepayers will be captive to these non-bypassable charges for decades.

B. AEP OHIO'S NON-BYPASSABLE GENERATION RIDER SHOULD BE REJECTED

Q15. Should all charges be bypassable when a customer takes service from a CRES provider?

A15. No, only those costs associated with the service the customer receives from a CRES provider should be bypassable. This prevents customers from having to pay the utility for services they no longer use and do not wish to receive. For example, services which are distribution-related or non-generation supply-related should continue to be paid by all customers regardless of whether they choose to select a CRES provider or remain with the utility. The guiding principle should be that customers should only pay for the costs they cause from the services that they want.

Q16. How do non-bypassable charges potentially harm shopping?

A16. It is fairly simple. When a customer takes supply from a CRES provider, the customer is receiving all of the generation-related service from that company and the customer is no longer taking generation-related service from the utility. If a shopping customer is forced to continue to pay the utility for generation-related supply charges plus pay the CRES provider for generation service, the customer is effectively paying twice for the same service. For Ohio customers to truly receive the benefits of retail competition, it is imperative that there be no double collection of generation-related costs.

Q17. Has the Ohio General Assembly addressed the issue of whether generation-related expenses can be collected in a utility distribution fee?

A17. Yes, in Senate Bill 221, the Ohio General Assembly amended Section 4928.02(H), Revised Code, to address anti-competitive subsidies by specifically: "...prohibiting the recovery of any generation-related costs through distribution or transmission rates." The clear intent articulated by the Ohio General Assembly is foundational to a thriving competitive retail market in Ohio, but AEP Ohio's proposed PPA Rider, which is a non-bypassable generation-related rider, appears to be in conflict with this statutory provision.

Q18. Are there specific generation-related costs and charges that AEP Ohio seeks to impose on customers regardless of whether they take the Standard Service Offer from AEP Ohio?

A18. Yes, simply put, the PPA Rider imposes generation-related, non-bypassable charges or credits based on the sale of generation from the applicable AEPGR units into PJM's wholesale market. The variables upon which the charge or credit will be derived clearly correspond with the generation output from the PPA units in AEP Ohio's application. The imposition of non-bypassable riders to recover generation-related costs inappropriately places the financial risks associated with AEPGR's generation squarely on the shoulders of AEP Ohio's customers. Business risks for generation-related costs properly belong with the owner of the generation. Requiring customers who purchase electricity from CRES providers to compensate AEPGR through a Commission-sanctioned full hedge from market risk for its generation losses is contrary to Ohio law, fundamentally unfair, and anti-competitive.

Q19. What is the effect on the competitive retail market when shopping customers are required to pay the utility for generation services they did not request?

A19. The PPA Rider is not needed for utility service. Making shopping customers pay AEP Ohio and in turn its affiliate AEPGR for such a generation service without the customer's affirmative consent undermines the principle of a functioning retail market in which suppliers provide to each customer the generation service that each customer requests. In addition to the structural harm to the market, the PPA Rider could put Ohio businesses at a competitive disadvantage, for if the AEPGR plants are not profitable at a level above the guaranteed return, Ohio businesses will be paying AEPGR a subsidy which unduly raises their energy costs vis-à-vis businesses in other states who are not subsidizing power plants. Generation-related, non-bypassable surcharges can thwart competition and can eliminate any economic advantage of customer shopping for fixed price generation.

Q20. What effect will the PPA Rider have on existing fixed-price contracts between CRES providers and Ohio shopping customers?

A20. If implemented, the PPA Rider will result in the improper intrusion on the sanctity of retail contracts by effectively "un-fixing" long-term fixed-price contracts and the price certainty that CRES providers like CNE provide to shopping customers by offering these products. The PPA Rider would expose all customers, shopping and non-shopping, to a new variable price risk, as the charge (or credit) a customer receives will vary based on the difference between the inter-affiliate PPA price (variable from year to year) and the variable spot market price the AEPGR-owned generation receives in the market. The OVEC generation that AEP Ohio seeks to include in the PPA Rider also shares this volatility. Because the PPA Rider is non-bypassable, a shopping customer that is currently shielded from market volatility under a long-term fixed-price contract from a CRES provider will now be exposed to, and held captive to, these variable generation-based charges. This undermines one of the key benefits of retail competition in Ohio - the ability to negotiate the lowest fixed-price term from a variety of CRES providers. This result also would undermine the contractual certainty that customers taking service from a CRES provider rely upon when entering a longer term fixed-price contract.

Q21. What effect could the PPA Rider have on customers taking generation supply from the utility?

A21. The utilities in Ohio, including AEP, have made great strides over the years in procuring utility generation supply to serve SSO customers through competitive auctions. As of 2015, 100% of the SSO generation supply in AEP Ohio's service territory is procured through SSO auctions. These auctions procure mixed-term generation supplies on a price per MWh basis, which protects customers from price variability. The PPA Rider threatens to add volatility to what SSO customers pay for generation. Similar to the impact described earlier that the PPA Rider will have on long-term fixed-price retail contracts, the PPA Rider also will "unfix" SSO supply and expose SSO customers to generation-related variable price risk, as the charge (or credit) a customer receives will vary based on the difference between the inter-affiliate PPA price (variable from year to year) and the variable price the generation receives in the market.

Q22. Will the PPA Rider have an impact on the competitive wholesale market?

A22. Yes. The PPA Rider poses a detrimental threat to the competitive wholesale markets. The proposal indicates that AEP Ohio will be responsible for offering the PPA generation into the wholesale market.[9] However, the proposal contains no objective limitations as to how and when AEP Ohio will offer the more than 3,100 MW of generation into the wholesale market. Because AEP Ohio and AEPGR will receive guaranteed cost recovery under the PPA Rider, there is no incentive for AEP Ohio to offer the units into the wholesale market based on market fundamentals such as the variable costs to operate the units. The lack of any incentive, or requirement, for AEP Ohio to offer the units into wholesale markets based on variable costs, provides AEP Ohio and AEPGR a competitive advantage over the generation owners that are subject to wholesale market forces and whose offers are guided by the variable costs to operate the unit. Ultimately, this will have a distortive effect on wholesale market price formation, and the integrity of the wholesale markets in general, as more than 3,100 MW of generation will have no incentive to participate in the market based on supply and demand fundamentals.

[9] AEP Witness Pearce Direct Testimony at Exhibit KDP-1 page 2.

These market distortions will also have a chilling effect on the development of new, more reliable, more efficient, cleaner and more environmentally-friendly generation in Ohio.

Therefore, if the Commission decides to approve the PPA Rider, it is imperative that the Commission include an affirmative obligation that AEP Ohio offer the coal units receiving the PPA subsidy into the market in an economically rational manner based on the units' variable costs, using objective criteria.

Q23. What effect could the PPA Rider have on the competitiveness of wholesale procurements for SSO supply?

A23. The subsidy AEPGR would receive under the PPA Rider could impact the wholesale procurements for SSO supply by all the major Ohio electric distribution utilities. AEP Generation affiliates have been an active participant in multiple wholesale SSO supply procurements. For example, in the last SSO auction for Duke, AEP Energy Partners, Inc. and American Electric Power Services Corporation won 39 of 100 tranches.[10] Similarly, in the last SSO auction for AEP Ohio, AEP Energy Partners, Inc. and American Electric Power Service Corporation won 8 of 17 tranches..[11] In FirstEnergy's last SSO auction, the two AEP Energy Partners, Inc. won 2 of 16 tranches.[12] Finally, in the last DP&L auction, AEP Energy Partners, Inc. won 28 of 50 tranches.[13] The guaranteed return that AEPGR would receive, coupled with the possibility that American Electric Power

[10] *In the Matter of the Procurement of Standard Service Offer Generation for Customers of Duke Energy Ohio, Inc.*, Case No. 15-6000-EL-UNC, Auction Result Information (June 5, 2015).
[11] *In the Matter of the Procurement of Standard Service Offer Generation for Customers of Ohio Power Company*, Case No. 15- 792-EL-UNC, Auction Result Information (June 3, 2015).
[12] *In the Matter of the Procurement of Standard Service Offer Generation as Part of the Third Electric Security Plan for Customers of Ohio Edison Company*, Case No. 14- 2742-EL-UNC, Auction Result Information (February 18, 2015).
[13] *In the Matter of the Procurement of Standard Service Offer Generation as Part of the Electric Security Plan for Customers of The Dayton Power and Light Company*, Case No. 13-2120-EL-UNC, Auction Result Information (October 16, 2014).

Service Corporation could be dispatching the power for AEP Ohio as its agent, could raise concerns for competitors who are hesitant to bid against a wholesale supplier with generation receiving a cost-plus guarantee. This could potentially decrease participation the SSO Ohio auctions. Ultimately, the PPA Rider could compromise the wholesale SSO supply procurements that have brought considerable value to Ohio customers.

Q24. What effect could the PPA Rider have on reliability and wholesale capacity markets in PJM?

A24. Under the AEP Ohio proposal, if there is a deficiency of capacity revenues due to non-performance, Ohio ratepayers would be called upon to make up that gap. Since the draft PPA would excuse non-performance for force majeure but PJM does not excuse failure of capacity performance deliveries, the PPA Rider would make ratepayers financially responsible for any non-performance penalties if the units do not meet these obligations. This unreasonable allocation of risk relating to the plant capacity obligations poses a serious threat to the reliability of the electrical grid and Ohio ratepayers because it would shift the liability of non-performance away from the generation owner (AEPGR) and onto ratepayers, and dis-incentivize AEP Ohio and AEPGR from investing the resources necessary to ensure reliability during times of peak demand. Therefore, the core purposes behind PJM's new Capacity Performance product - increase the penalty risk for generators in order to incentivize generator performance and require investment to ensure generator performance - will be undermined by the PPA Rider, threatening the reliability of the electrical grid in Ohio during times when reliability will be most necessary.

C. THE PPA RIDER WILL NOT BENEFIT CUSTOMERS

Q25. What is the value of the PPA Rider to customers taking supply from CRES providers?

A25. The PPA Rider brings no value to customers taking supply from a CRES provider. In fact, the PPA Rider will raise prices for electricity customers in AEP Ohio's service territory while providing little, if any, benefit in return. Although AEP Ohio claims that the PPA Rider will provide a stabilizing benefit that will shield customers from market volatility, it is really AEP Ohio and its affiliate AEPGR, not Ohio customers, that will be shielded from market volatility risk under the Rider. In addition to being shielded from market risk, under the PPA Rider, AEP Ohio and AEPGR will be guaranteed a return. In contrast, any potential credit to customers from the PPA Rider is contingent on the whims of the market, and any purported value is based on speculation that wholesale electricity prices will someday exceed the high cost of the PPA. In fact, as noted above, the variable nature of the PPA Rider will actually have a de-stabilizing effect on Ohio customers that have currently shielded themselves from variable market forces by entering into a fixed-price contract with a CRES provider. The PPA Rider will add a variable generation charge to customers that thought they were protected under a long-term fixed price contract.

Q26. If a customer wants to hedge its generation costs, are there other options available to the customer?

A26. Yes, CRES providers may have a number of different offerings for customers, geared toward the customer's goals and objectives, including their risk tolerance or desire for a market hedge. Without the non-bypassable PPA Rider, CRES providers can provide retail customers with a true fixed-price generation product. For example, CNE has posted on the Commission's Apples to Apples chart an offer to residential customers in the AEP Ohio service territory for $0.0619 per kilowatt-hour ("kWh") fixed for three years.

Those customers know for the next three years exactly what the cost of competitive power will be. The value of that certainty is erased in part if such customers must also pay the generation losses via the PPA Rider.

D. <u>OTHER CONCERNS WITH THE PPA RIDER</u>

Q27. Is the PPA Rider necessary or appropriate to maintain reliability in Ohio?

A27. No. AEP Ohio claims that the loss of the 3,100 MW of coal-fired generation, which AEP Ohio indicates could occur if the assets do not receive the PPA subsidy, will hurt the reliability of the electrical grid.[14] However, because of the robust transmission system linking the AEP zone to the rest of PJM, capacity resources in any part of the 13-state PJM regional transmission organization can be used to support capacity needs in the AEP zone and Ohio as a whole. Additionally, PJM has seen plenty of new-build capacity, including new capacity in the state of Ohio, and has reported a healthy reserve margin through 2019.[15] Even if a bona-fide reliability concern existed, a state-sanctioned subsidy of aging coal generation via an embedded non-bypassable surcharge to shopping customers is not the appropriate approach. Under the subsidy scenario, only Ohio customers would be paying a subsidy in an attempt to relieve a regional reliability issue, making the Ohio businesses less competitive than neighboring states by raising energy costs. If reliability truly is an issue, which again it is not, PJM has a process for conducting a reliability study and providing a Reliability Must Run ("RMR") contract for any units determined necessary to maintain reliability. The cost of the RMR contract to run otherwise uneconomic generation plants for reasons of reliability is then apportioned out by PJM to the areas affected which could be larger than Ohio. By contrast under the

[14] *See* Testimony of AEP Witness Bradish at pg. 4-5.
[15] *See* PJM 2018/2019 RPM Base Residual Auction Results Report.

AEP Ohio proposal the burden of the extra costs rests only with AEP Ohio retail customers, although the alleged benefits would flow outside the AEP Ohio service area.

Other markets have similar processes for compensation due to reliability. For example, Exelon is currently undergoing a similar process in New York to obtain a reliability-based agreement. On November 14, 2014, the New York Public Service Commission entered an Order ("PSC Order") directing negotiation of a Reliability Support Service Agreement ("RSSA") between Rochester Gas and Electric ("RG&E") and R.E. Ginna Nuclear Power Plant, LLC ("Ginna"), an Exelon subsidiary.[16] On February 13, 2015, Ginna filed a RSSA with Federal Energy Regulatory Commission ("FERC") that had been executed by both Ginna and RG&E. Following FERC's April 14, 2015 order accepting the RSSA in part and setting part for hearing and settlement, negotiations continue. The RSSA process in New York is akin to the RMR process administered in PJM. As part of the process, Ginna underwent a formal reliability study conducted by the New York Independent System Operator, Inc. ("NYISO") that found that if Ginna were to retire, there would be a negative impact on the reliability of the New York bulk electric transmission system during 2015 and 2018 until planned transmission upgrades are completed.[17]

Q28. What is the impact of PJM's Capacity Performance Product?

A28. Most recently, PJM has implemented its "Capacity Performance Product" which imparts greater performance and fuel security requirements on generation resources, in particular during extreme weather events. Capacity Performance ("CP") is a competitive, market-

[16] State of New York Public Service Commission, Order Directing Negotiation Of A Reliability Support Service Agreement And Making Related Findings, November 14, 2014, CASE 14-E-0270 - Petition for Initiation of Proceeding to Examine Proposal for Continued Operation of R.E. Ginna Nuclear Power Plant.

[17] The reliability study was conducted in accordance with applicable North American Electric Reliability Corporation ("NERC") Reliability Standards, Northeast Power Coordinating Council ("NPCC"), New York State Reliability Council ("NYSRC") Reliability Rules and Procedures, and NYISO planning and operation practices.

based mechanism that will provide generators with significant revenues to ensure performance during reliability events. CP will enhance reliability within PJM, including Ohio, and provide additional revenues to generation resources, including resources in Ohio. There is no need for Ohio ratepayers to pay even more money through Rider PPA to the same generators to provide the same reliability. In fact, because the PJM capacity market addresses reliability for the entire PJM footprint, not just Ohio, if the Rider PPA were approved, Ohio customers will be paying more to provide a reliability benefit to customers outside of Ohio.

PJM and FERC have the appropriate authority and are well-equipped to ensure reliability and to make changes to provide the proper market structure for the interstate market of which Ohio's consumers are a part. AEP Ohio should continue to work with PJM and FERC to address any legitimate reliability concerns relating to the coal plants included in the PPA Rider proposal.

Q29. Is the PPA Rider structured in the best interest of Ohio customers?

A29. No. If AEP Ohio is truly interested in procuring a long-term PPA for the purported benefit of customers, any such procurement must be done through a competitive bid process. A competitive bid process would ensure that the customers are paying the least for the benefits that AEP Ohio purports the PPA Rider provides. For example, the reliability-based RSSA process that Exelon is currently undergoing in New York is complimented by an RFP process that provides an opportunity for competitive bidders to offer a lower cost solution in lieu of New York entering into a RSSA contract with Exelon.[18]

[18] State of New York Public Service Commission, Order Directing Negotiation Of A Reliability Support Service Agreement And Making Related Findings, November 14, 2014, CASE 14-E-0270 - Petition for Initiation of

E. COMMISSION FACTORS AND REQUIREMENTS FOR FUTURE PPA REQUESTS

Q30. Having read the Commission's February AEP Ohio ESP III Opinion and Order, what factors from a supplier's perspective are to be evaluated by the Commission in deciding whether to approve future cost recovery requests associated with Power Purchase Agreement riders?

A30. On page 25 of the AEP Ohio ESP III Opinion and Order, the Commission listed the following factors and requirements for future PPA applications:

- Financial need of the generating plant;
- Necessity of the generating facility in light of future reliability concerns, including supply diversity;
- Description of how the generating plant is compliant with all pertinent environmental regulations and its plan for compliance with pending environmental regulations;
- Impact that a closure of the generating plant would have on electric prices and the resulting effect on economic development;
- Rigorous Commission oversight of the rider, including a process for periodic substantive review and audit; and
- Commitment to full information sharing with the Commission and its Staff;
- An alternative plan to allocate the rider's financial risk between the company and its ratepayers; and
- Severability provision recognizing that other provisions of the ESP will continue if the PPA Rider is invalidated by a court of competent jurisdiction.

Proceeding to Examine Proposal for Continued Operation of R.E. Ginna Nuclear Power Plant, p. 23. "To the extent that alternatives proposed through the RFP might affect entry into an RSSA, or the period for which the RSSA remains in effect, RG&E, in consultation with Staff, would evaluate if viable, cost effective substitutes for the Facility, including generation, transmission, and other resources, would be available and could commence operations in a timely fashion. If it is determined that alternatives could affect negotiation of the RSSA, RG&E should redirect the RSSA negotiations to accommodate the alternatives."

Q31. Which of the factors identified by the Commission do you plan to address?

A31. I will address the following factors identified by the Commission, each of which the AEP Ohio application fails to meet:

- Financial need of the generating plant;
- An alternative plan to allocate the rider's financial risk between the company and its ratepayers;
- Necessity of the generating facility in light of future reliability concerns;
- Rigorous Commission oversight of the rider, including a process for periodic substantive review and audit; and
- Description of how the generating plant is compliant with all pertinent environmental regulations and its plan for compliance with pending environmental regulations.

Q32. If a unit has cleared the PJM capacity market would that indicate financial need?

A32. No. Any consideration of the financial needs of the generation plant must take into account whether a particular plant cleared the PJM capacity auction and has a forward capacity obligation for which it will receive revenues. In particular, the recently implemented CP product presents a significant source of additional revenue for qualifying generators. CP can provide the coal generators with revenues needed to maintain the operation of the plants, and PJM offers all capacity resources the opportunity to offer into the Capacity Performance market at a price that would recover the full cost to run the unit. Therefore, if a resource offers into the PJM capacity market and clears above their offer, then there should be no financial need. If a unit has cleared the capacity market, it is being compensated for its reliability value, it must be assumed is recovering its costs, and cannot be at risk to retire. If a unit does not clear the capacity market, that is indicative that the unit's costs truly are more than what the market is willing to pay for the reliability value, and the fact that the unit will not receive capacity revenues and has no forward commitment would support a claim of financial distress and potential retirement. If the unit does not offer in at cost, ratepayers should not be responsible for the plant owner's failure to avail itself of a mechanism in the capacity market that would allow it to recover its costs. Therefore, a core question to which the Commission should receive an answer is whether the coal units in question have not cleared the capacity market when bid in at their costs, and truly are in financial distress.

Q33. Do you know if any AEP generation cleared in the most recent PJM Capacity Auction?

A33. Yes. While AEP did not identify specific units, they did announce that 7,209 megawatts (MW) of the company's unregulated generation fleet in the PJM Interconnection cleared the capacity auction for the 2018-2019 delivery year representing all of the capacity that AEP Generation Resources bid into the auction. I have attached as Appendix A to my testimony the actual copy of the press release. PJM Base Residual Auction 2018-19 results were announced Aug. 21 at a clearing price of $164.77/megawatt-day. This auction was the first held under PJM's new capacity performance system, designed to encourage investment in power plants and strengthen the reliability of the electric grid. PJM also held two transitional auctions to incorporate capacity performance into its previous auctions for the 2016-2017 and 2017-2018 delivery years. In the 2016-2017 transitional auction completed Aug. 31, AEP Generation Resources announced that it cleared 7,169 MW at $134/megawatt-day.

Q34. Please explain the importance of the factor relating to alternative plans.

A34. The financial need for justifying a ratepayer guarantee is a broader question than simply asking "what does AEP Ohio's affiliate want to earn in order to keep the plants running." That is why the Commission in both the AEP Ohio ESP III and the Duke ESP III proceedings rejected the PPA and asked for alternative plans. AEP Ohio's current application has failed to offer any alternative other than a Rider that will provide a ratepayer guarantee to more than 3,100 MW of coal-fired generation for the entire life of the plants, which exceeds a decade.

Q35. Does Exelon offer an alternative plan?

A35. Yes. while neither RESA nor Exelon support the PPA Rider, if the Commission was going to have such a rider, Exelon proposes, as it did in the ESP III, that there be a competitive bidding process established to determine whether any plant seeking a PPA is the lowest-cost alternative. This can easily be done with a request for proposal or other mechanism for competitive bidding that provides an opportunity for power plants within PJM, including those not affiliated with AEP Ohio to be considered to provide the same value to customers that AEP claims the PPA Rider will provide.

Q36. What risks would be allocated to ratepayers under the PPA Rider?

A36. The AEP Ohio proposal will clearly shift to ratepayers the *market price risk* associated with the power plants as ratepayers will be responsible for providing a guaranteed hedge to AEPGR to ensure that it receives the full PPA contract price when market revenues from the plants are below that contract price. However, another significant risk that would be shifted to ratepayers is the *penalty risk* associated with non-performance in the PJM capacity market. Under the PPA Rider, if a plant receives lower capacity revenues (or incurs higher costs) due to non-performance of its capacity obligation to PJM, ratepayers -- not AEP Ohio or AEPGR -- may be financially responsible for making AEP Ohio and AEPGR whole on these lost revenues up to the full PPA contract price. This inequitable allocation of risk becomes even more vital if one of the plants seeking a PPA is committed, or in the future commits, to PJM as a CP resource. While CP has resulted in increased capacity revenues, these revenues also come with significant penalty risks for non-performance. In fact, the CP penalties are so severe that they would actually exceed the potential CP revenues. Therefore, while at first glance the potential increased revenues from CP may appear attractive, if the risk of non-performance by the generator also is shifted to customers under the PPA Rider, CP could be a disaster for ratepayers forced to take on that risk.

Q37. Are there any other questionable risks that would be allocated to ratepayers under the PPA?

A37. Yes, the early termination provision in the proposed PPA would allow AEP Ohio to terminate the agreement if cost recovery under the PPA is "discontinued or substantially diminished, including through a one-time significant disallowance for retail rate recovery of costs."[19] Therefore, while AEP Ohio seeks the certainty of a ratepayer guarantee for many decades, they also seek to maintain the optionality to walk away if the Commission attempts to disallow the pass-through of even one cost, for example a disallowance of an attempt to pass through to ratepayers a penalty for CP non-compliance as described above. This, too, represents a shift of risk to ratepayers, while providing risk-mitigating optionality to AEP Ohio.

Q38. Does the PPA Rider proposal adequately address the Commission's criteria of evaluating a generating facility in light of future reliability concerns?

A38. No, AEP Ohio has not provided a sufficient showing of the reliability needs of the plants because it has not presented a reliability study by a third-party demonstrating the reliability needs of the generating plants based on commonly accepted local or regional

[19] AEP Witness Pearce Direct Testimony at Exhibit KDP-1.

reliability standards. At a minimum, AEP Ohio should have a third-party reliability study conducted that provides: (1) a demonstration of the reliability needs of the generating plants and, (2) description of the methodologies and findings in the underlying reliability studies. This would be consistent with concerns the FERC has recognized, as recently as February 2015, for certain PPAs in the wholesale market administered by the NYISO, under which the generation resources would continue to operate and recover costs that would not otherwise be recovered through generator sales of energy, capacity and ancillary services in NYISO's markets.[20] If the reliability study in this case reveals reliability need, there should then be a competitive process to determine the lowest-cost solution that best addresses the reliability need.

Q39. Would the shifting of the capacity performance penalty risk have a potential impact on reliability?

A39. Yes. Shifting the penalty risk of non-performance to ratepayers would undermine the purpose behind performance penalties in capacity markets. If ratepayers are financially responsible for a non-performance penalty, the generator has no real incentive to spend the money or to make the investments necessary to ensure performance on its capacity obligation. This would have the perverse impact of actually *increasing* the reliability risk in Ohio and PJM, not decreasing it. Therefore, the risk of non-performance on a capacity obligation must remain with the generator, and the Commission should not permit this risk to be allocated to ratepayers.

[20] *New York Independent System Operator, Inc.,* Order Instituting Section 206 Proceeding and Directing Filing To Establish Reliability Must Run Tariff Provisions, Docket No. EL15-37-000, Order dated February 19, 2015, 150 FERC. ¶61,116 (2015).

Q40 How has AEP Ohio addressed the Commission's criteria calling for rigorous Commission oversight of the rider, including a process for periodic substantive reviews and audits?

A40. My understanding is that while AEP Ohio has submitted an unexecuted draft PPA for review, it takes the position that the Ohio Commission has no jurisdiction over the PPA, such jurisdiction resting exclusively with the FERC. More important, AEP Ohio's PPA Rider proposal prevents review of the legacy costs. In other words, all current commitments in place when the PPA Rider is approved cannot be challenged. There should be no safe haven for imprudent or unreasonable costs. The Commission staff should be able to investigate all ongoing costs and revenues going through the PPA Rider, and the Commission should disapprove all unreasonable costs or unreasonable revenue decisions, without any limitation.

Q41. Could you give me an example of the kind of expense that AEP Ohio could pass through which, if there was rigorous Commission oversight, may not be allowed?

A41. As I mentioned earlier, the PPA Rider proposal, as currently constructed, inequitably shifts to ratepayers the *penalty risk* associated with generator non-performance in the PJM capacity market. With just a financial structural audit of the PPA Rider and a limit on cost review, the Commission would be powerless to stop AEP Ohio from passing the risks of CP penalties on to the retail customers. In sum, there should be no restrictions on the information that Commission staff may obtain and no restrictions on PPA Rider adjustments based on asset performance or improper risk shifting. The Commission staff must receive all the relevant information in a timely fashion and the final decision as to passing on costs (including lost revenues due to capacity non-performance) must rest solely with Commission; anything less is simply not rigorous regulatory oversight.

Q42. Another factor identified in the Commission's February AEP Ohio ESP III Opinion and Order relates to compliance with environmental regulations. Does the AEP Ohio PPA Rider satisfy this factor?

A42. No. As set forth, the criteria are a cost/benefit analysis that seek to ensure that the benefits of any generation being subsidized outweighs the costs. The Commission needs to go beyond mere consideration of meeting minimum standards and instead should require an environmental benefit. The PPA Rider proposal seeks a subsidy, in essence asking the Commission to approve Ohio customers paying more for a resource than it is currently worth in the market. If ratepayers are being asked to pay more, at a minimum ratepayers should get something of value in return for that additional payment. As noted above, ratepayers already are paying these units for any reliability value through the PJM capacity market. Therefore, the environmental criteria should question just that – what environmental value does this unit possess that justifies a guaranteed return from ratepayers under the PPA Rider? For example, does the generation assist Ohio in meeting potential compliance obligations under the EPA Clean Power Plan? As polluting coal units, the generation units for which AEP Ohio is seeking a ratepayer guarantees under the PPA Rider provide negative environmental value to Ohio and its ratepayers and therefore do not to justify the costs borne by ratepayers.

Q43. Do you have any other concerns regarding the proposed PPA between AEP Ohio and its affiliate AEPGR?

A43. Yes. As will be presented in the Exelon and Constellation NewEnergy, Inc. trial brief, the proposed PPA Rider violates the spirit, if not the letter, of FERC restrictions on affiliate transactions, which were designed to protect customers served by franchised public utilities from inappropriately subsidizing their affiliates and causing financial harm to customers. AEP Ohio's proposed imposition of a surcharge on *all* retail customers to provide its affiliate AEPGR a guaranteed cost recovery on generation plants it owns appears to directly contravene the policy goals of the FERC restrictions on affiliate transactions. The PPA Rider would make all customers, shopping and non-shopping, captive to paying a subsidy that would flow from the utility to its merchant affiliate, for the ultimate benefit of the affiliate. As noted above, if AEP Ohio is truly procuring something under the PPA that is of benefit to customers, be it generation or a rate stability hedge, then that procurement should take place via a competitive bidding process to ensure that customers are receiving the best value for that product, and not paying more than they should and improperly benefitting AEP Ohio's affiliate.

Q44. Do you have any other concerns regarding the proposed PPA Rider?

A44. Yes. As will be presented in the Exelon and Constellation NewEnergy, Inc. trial brief, recent Federal court decisions have found unlawful various state-level efforts to subsidize the development of local power plants as a preemption of FERC's exclusive jurisdiction over the sale of wholesale power in interstate commerce. See PPL Energy Plus v. Solomon, Case No. 13-4330, slip op. (3rd Cir. Sep. 11, 2014); PPL Energy Plus v. Nazarrian, Case No. 13-2419, slip op. (4th Cir. June 2, 2014); and PPL Energy Plus v. Hanna, Civ. Action No. 11-745, 2013 WL 5603896 (Oct. 11, 2013). It is my understanding that the mechanisms proposed in these states to provide cost recovery to the generators is very similar to the one proposed by AEP Ohio.

F. <u>SUMMARY OF RECOMMENDATION FOR THE PPA RIDER</u>

Q45. What is your recommendation regarding the PPA Rider?

A45. Forcing both shopping and non-shopping customers to be captive to a non-bypassable surcharge for the purpose of subsidizing generation owned by AEPGR is contrary to Ohio and Federal law, and could effectively erase the progress to date on the path towards building robust retail competition in the AEP Ohio service territory and the State of Ohio by eliminating the ability of CRES providers to offer truly fixed priced products and by jeopardizing the benefits of competitive wholesale procurements for default service. The Commission should reject the proposed PPA Rider.

III. <u>CONCLUSION AND SUMMARY OF RECOMMENDATIONS</u>

Q46. Given those conclusions, what are Exelon's and RESA's recommendations?

A46. Exelon and RESA recommend that the Commission reject the PPA Rider in its entirety. The PPA Rider undermines the Ohio policymakers' explicit goal for retail competition: to provide customers the right to choose less costly options rather than be captive to one provider's costs. *See, e.g.,* Sections 4928.02(C) and (H), 4928.03, and 4928.06(A) and (B), Revised Code. The Commission should reject the proposed PPA Rider.

Q47. Does this conclude your testimony?

A47. Yes, it does.

CERTIFICATE OF SERVICE

The Public Utilities Commission of Ohio's e-filing system will electronically serve notice of the filing of this document on the parties referenced on the service list of the docket card who have electronically subscribed to the case (those individuals are marked with an asterisk below). In addition, the undersigned certifies that a courtesy copy of the foregoing document is also being served (via electronic mail) on the 11th day of September 2015 upon all persons/entities listed below:

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Appendix A to the Direct Testimony of Lael Campbell
Case Nos. 14-1693-EL-RDR, et al.

AEP Announces Outcome Of PJM Capacity Auctions

COLUMBUS, Ohio, Sept. 10, 2015 – American Electric Power (NYSE: AEP) today announced that 7,209 megawatts (MW) of the company's unregulated generation fleet in the PJM Interconnection cleared the capacity auction for the 2018-2019 delivery year, representing all of the capacity that AEP Generation Resources bid into the auction. Auction results were announced Aug. 21 at a clearing price of $164.77/megawatt-day. This auction was the first held under PJM's new capacity performance system, designed to encourage investment in power plants and strengthen the reliability of the electric grid.

PJM also held two transitional auctions to incorporate capacity performance into its previous auctions for the 2016-2017 and 2017-2018 delivery years. In the 2016-2017 transitional auction completed Aug. 31, AEP Generation Resources cleared 7,169 MW at $134/megawatt-day. This replaces the original capacity auction clearing price of $59/megawatt-day for 2016-2017. AEP Generation Resources cleared 6,495 MW at $151.50/megawatt-day in the 2017-2018 transitional auction results announced Sept. 9, replacing the original auction clearing price of $120/megawatt-day.

"The improvements PJM has made to the capacity market design are a step in the right direction to help support the investments needed for reliable generator performance. These higher auction prices for the next three years better reflect the value of reliable generation to meet peak electricity demand. The auction results also illustrate the benefits of our proposed purchase power agreement in Ohio to help provide more stable electricity rates for customers in the future," said Nicholas K. Akins, AEP chairman, president and chief executive officer.

AEP is reaffirming its 2016 earnings guidance range of $3.45 to $3.85 per share, as capacity auction results are among a number of factors that are taken into consideration to determine earnings guidance.

A chart with more detailed results from the three recent PJM auctions is available at www.aep.com/webcasts.

American Electric Power is one of the largest electric utilities in the United States, delivering electricity to nearly 5.4 million customers in 11 states. AEP ranks among the nation's largest generators of electricity, owning nearly 32,000 megawatts of generating capacity in the U.S. AEP also owns the nation's largest electricity transmission system, a more than 40,000-mile network that includes more 765-kilovolt extra-high voltage transmission lines than all other U.S. transmission systems combined. AEP's transmission system directly or indirectly serves about 10 percent of the electricity demand in the Eastern Interconnection, the interconnected transmission system that covers 38 eastern and central U.S. states and eastern Canada, and approximately 11 percent of the electricity demand in ERCOT, the transmission system that covers much of Texas. AEP's utility units operate as AEP Ohio, AEP Texas, Appalachian Power (in Virginia and West Virginia), AEP Appalachian Power (in Tennessee), Indiana Michigan Power, Kentucky Power, Public Service Company of Oklahoma, and Southwestern Electric Power Company (in Arkansas, Louisiana and east Texas). AEP's headquarters are in Columbus, Ohio.

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