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April 13, 2017

Ms. Barcy F. McNeal
Docketing Division
Public Utilities Commission of Ohio
180 E. Broad Street
Columbus, OH 43215

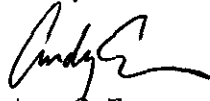
RE: Case 17-982-EL-ACP
AEP Energy, Inc.

Dear Ms. McNeal:

Attached is a redacted version of the Alternative Energy Portfolio Status Report for Calendar Year 2016 for AEP Energy, Inc. This report is redacted because it contains certain confidential and proprietary information. Pursuant to Rule 4901-1-24(D) of the Ohio Administrative Code, a motion for protective order has been filed and two copies of the confidential version of this report are being submitted under seal.

Please contact me directly with questions.

Sincerely,



Andrew C. Emerson

Enclosures

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**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

| | | |
|-------------------------------------|---|------------------------|
| In the Matter of AEP Energy, Inc.'s |) | |
| Annual Alternative Energy |) | |
| Portfolio Status Report and Plan |) | Case No. 17-982-EL-ACP |
| for Compliance with Future Annual |) | |
| Advanced and Renewable Benchmarks |) | |

2016 Alternative Energy Status Report

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

| | | |
|-------------------------------------|---|------------------------|
| In the Matter of AEP Energy, Inc.'s |) | |
| Annual Alternative Energy |) | |
| Portfolio Status Report and Plan |) | Case No. 17-982-EL-ACP |
| for Compliance with Future Annual |) | |
| Advanced and Renewable Benchmarks |) | |

I. INTRODUCTION

AEP Energy, Inc. ("AEP Energy") is a competitive retail electric service ("CRES") provider, as defined in Section 4928.01(A)(4), Ohio Revised Code, and an electric services company as defined within Section 4928.01(A)(9). AEP Energy is a wholly owned subsidiary of AEP C&I Company, LLC and is an indirect subsidiary of American Electric Power, Inc. AEP Energy currently provides electric supply to commercial, industrial, and residential customers within the state of Ohio.

AEP Energy hereby submits its Annual Alternative Energy Portfolio Status Report for the period January 1, 2016 through December 31, 2016, as required by Rule 4901:1-40-05 of the Ohio Administrative Code for all electric service companies. As required by the rule, this status report identifies AEP Energy's 2016 energy baseline, demonstrates its compliance with its 2016 renewable and solar energy benchmarks, and outlines its future alternative energy compliance strategy.

II. COMPLIANCE

Under Section 4928.64(B)(2) and Rule 4901:1-40-03(A)(2), for the year 2016, electric service companies must demonstrate that 2.5% of the retail electricity sold in Ohio derived from renewable energy resources. In addition, electric service companies must demonstrate that 0.12% of the retail electricity they sold derived from solar energy resources. These benchmarks are determined by first calculating a baseline number of kilowatt hours and then applying the benchmark percentages to that baseline.

A. Initial Baseline Calculation

Rule 4901:1-40-03(B) sets forth the methodologies for calculating a baseline for compliance. As such, pursuant to Rule 4901:1-40-03(B)(2)(a), AEP Energy computes its baseline as an average of its 2013, 2014 and 2015 annual sales during which it served Ohio retail electric customers, as follows:

**TABLE 1
AEP ENERGY, INC.
INITIAL BASELINE CALCULATION**

| | |
|------------|--|
| 2013 MWhrs | |
| 2014 MWhrs | |
| 2015 MWhrs | |
| Average | |

B. 2016 Renewable and Solar Energy Benchmarks

Using 5,915,605 as its 2016 baseline, AEP Energy calculates its benchmarks for electricity generated from renewable and solar energy resources for the year 2016 is as follows:

**TABLE 2
AEP ENERGY, INC.
2016 RENEWABLE ENERGY BENCHMARK**

| Year | Actual Load (MWhrs) | (Non-Solar) | Solar |
|------|------------------------|-------------|-------|
| 2016 | 8,449,759 | | |

C. Compliance with 2016 Renewable Energy Benchmarks

Pursuant to Section 4928.65, electric service companies may meet renewable energy benchmarks through the use of renewable energy credits ("RECs").

1. **Non-Solar:** Acting through brokers, AEP Energy purchased certain non-solar RECs to satisfy its renewable requirements for 2016.
2. **Solar:** Though brokered market purchases, AEP Energy purchased certain RECs to satisfy its solar renewable requirements for 2016.

A summary of AEP Energy's compliance efforts in 2015 is as follows:

TABLE 3
AEP ENERGY, INC.
2016 RENEWABLE ENERGY COMPLIANCE EFFORTS

| Year | (Non-Solar) – RECs Obtained | Solar – SRECs Obtained |
|------|--------------------------------|---------------------------|
| 2016 | | |

D. AEP Energy's Compliance Strategy

AEP Energy's renewable energy compliance strategy for 2016 was to purchase RECs through market brokers. As AEP Energy's compliance obligations increase for 2016, AEP Energy has broadened its compliance activities to include consideration of Requests for Proposals ("RFPs") and soliciting wind and solar facilities within Ohio. AEP Energy will also continue to utilize the broker market to satisfy its compliance obligation.

III. PLAN FOR COMPLIANCE WITH FUTURE ANNUAL ADVANCED ENERGY AND RENEWABLE ENERGY BENCHMARKS

Ohio Administrative Code Rule 4901:1-40-03(C) requires all Ohio electric services companies to file an annual "plan for compliance with future annual advanced- and renewable-energy benchmarks, including solar, utilizing at least a ten-year planning horizon." This plan must contain at least the following four items:

- (1) Baseline for the current and future calendar years.
- (2) Supply portfolio projection, including both generation fleet and power purchases.
- (3) A description of the methodology used by the company to evaluate its compliance options.
- (4) A discussion of any perceived impediments to achieving compliance with required benchmarks, as well as suggestions for addressing any such impediments.

(O.A.C. 4901:1-40-03(C)(1)-(4))

Below are the forecasted sales volumes and corresponding REC requirements for the years 2016 through 2026.

**TABLE 4
AEP ENERGY, INC.
TEN-YEAR RENEWABLE ENERGY FORECAST**

| Year | Annual Load MWh | Renewable % Needed | Renewable MWh (non-Solar) | Solar % Needed | Solar MWh |
|-------------|----------------------------|-----------------------------------|------------------------------------------|---------------------------|------------------|
| 2017 | | 2.5% | | 0.15% | |
| 2018 | | 3.5% | | 0.18% | |
| 2019 | | 4.5% | | 0.22% | |
| 2020 | | 5.5% | | 0.26% | |
| 2021 | | 6.5% | | 0.30% | |
| 2022 | | 7.5% | | 0.34% | |
| 2023 | | 8.5% | | 0.38% | |
| 2024 | | 9.5% | | 0.42% | |
| 2025 | | 10.5% | | 0.46% | |
| 2026 | | 11.5% | | 0.50% | |
| 2027 | | 12.5% | | 0.54% | |

As a CRES provider, AEP Energy does not own any electrical generation facilities. AEP Energy will continue to supply power to its customers by purchasing power through market brokers, RFPs, and third-party contracts. AEP Energy will continue to meet its alternative energy benchmarks through the purchasing of RECs and solar RECs, through the use of market brokers, RFPs, and producer contracts. Apart from generalized supply and pricing constraints,

AEP Energy does not anticipate significant impediments in acquiring the RECs required to meet its alternative energy benchmarks for future years.

IV. CONCLUSION

Based on the foregoing, AEP Energy respectfully requests that the Commission find that AEP Energy has complied with the applicable renewable energy benchmarks for 2016.

Respectfully submitted,



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