

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Ohio Power Company and Columbus Southern Power Company for Authority to Merge and Related Approvals.	)	Case No. 10-2376-EL-UNC
)	
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.	)	Case No. 11-346-EL-SSO
	)	Case No. 11-348-EL-SSO
)	
In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Approval of Certain Accounting Authority	)	Case No. 11-349-EL-AAM
	)	Case No. 11-350-EL-AAM
)	
In the Matter of the Application of Columbus Southern Power Company to Amend its Emergency Curtailment Service Riders	)	Case No. 10-343-EL-ATA
)	
In the Matter of the Application of Ohio Power Company to Amend its Emergency Curtailment Service Riders	)	Case No. 10-344-EL-ATA
)	
In the Matter of the Commission Review of the Capacity Charges of Ohio Power Company and Columbus Southern Power Company.	)	Case No. 10-2929-EL-UNC
)	
In the Matter of the Application of Columbus Southern Power Company for Approval of a Mechanism to Recover Deferred Fuel Costs Ordered Under Ohio Revised Code 4928.144	)	Case No. 11-4920-EL-RDR
)	
In the Matter of the Application of Ohio Power Company for Approval of a Mechanism to Recover Deferred Fuel Costs Ordered Under Ohio Revised Code 4928.144	)	Case No. 11-4921-EL-RDR
)	

**REBUTTAL TESTIMONY OF LAURA J. THOMAS
IN SUPPORT OF THE STIPULATION AND RECOMMENDATION
ON BEHALF OF
COLUMBUS SOUTHERN POWER COMPANY
AND
OHIO POWER COMPANY**

Filed: October 21, 2011

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LAURA J. THOMAS

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1 **PERSONAL DATA**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Laura J. Thomas. My business address is 1 Riverside Plaza, Columbus,
4 Ohio 43215.

5 **Q. DID YOU PREVIOUSLY FILE TESTIMONY IN THIS CASE?**

6 A. Yes.

7 **PURPOSE OF TESTIMONY**

8 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

9 A. The purpose of my rebuttal testimony is to address certain issues raised by the Non-
10 Signatory Parties regarding the Competitive Benchmark price and the MRO Price
11 Test. In particular, I respond to the following four areas:

- 12 1. The impact of including forecasted fuel cost changes in the MRO Price Test;
13 2. FirstEnergy EDUs' (FE) auction prices resulting from competitive bidding;
14 3. MRO Price Test for the period June 2015 – May 2016 (Auction Year); and
15 4. MRO Price Test by operating company.

16 **Q. WHAT REBUTTAL EXHIBITS ARE YOU SPONSORING IN THIS**
17 **PROCEEDING?**

18 A. I am sponsoring Exhibits LJT-R1, LJT-R2 and LJT-R3.

1 **IMPACT OF FUEL CHANGES ON MRO PRICE TEST**

2 **Q. WHAT POSITIONS DO THE NON-SIGNATORY PARTIES TAKE**
3 **REGARDING FUEL RATES RELATIVE TO THE MRO PRICE TEST?**

4 A. In the prefiled testimony of FES witness Schnitzer at pages 14-16 and in cross
5 examination Tr. Volume VII at pages 1427 through 1433, Mr. Schnitzer maintains
6 that the Company underestimates the fuel cost component of the Stipulation ESP
7 price. Generally, the Non-Signatory Parties state that the Company erred by not
8 including the forecasted fuel changes reflected on FES Confidential Exhibit 10 as part
9 of the MRO Price Test.

10 **Q. IS IT NECESSARY TO INCLUDE FORECASTED FUEL CHANGES?**

11 No, it is not necessary to include forecasted fuel changes in the MRO Price Test. It is
12 my understanding, upon the advice of counsel, that Section 4928.142(D), Ohio
13 Revised Code, provides the option of adjusting 2011 prices for changes in 1) fuel, 2)
14 renewable requirements, 3) purchased power and 4) environmental capital
15 investment. In prior SSO cases, the Commission has not required that such
16 forecasted data be reflected in the MRO Price Test. Consequently, none of these
17 items were adjusted beyond reflecting the costs applicable in 2011 for the MRO Price
18 Test filed on September 13.

19 **Q. WOULD IT BE APPROPRIATE TO FORECAST ONLY CHANGES IN FUEL**
20 **FOR THE PERIOD JANUARY 2012 - MAY 2015?**

21 A. No. There should be comparable treatment of all factors; it would be inappropriate to
22 change just one factor. That is, if fuel changes are forecasted for the period of
23 January 2012 through May 2015, then changes should also be forecasted for the other

1 items listed above. The two most significant of these items are environmental and
2 fuel.

3 **Q. WHAT KIND OF ANALYSIS WOULD BE REQUIRED TO INCORPORATE**
4 **THE FORECASTED FUEL ASSERTED AS APPROPRIATE BY THE NON-**
5 **SIGNATORY PARTIES AND HAVE YOU PREPARED THAT ANALYSIS?**

6 A. Exhibit LJT-R1 provides such an analysis that includes forecasted fuel and
7 environmental changes for the period January 2012 – May 2015. The issue is
8 addressed by first including forecasted environmental investments and then
9 determining how much fuel could change during the period to result in no change to
10 the MRO Price Test provided by the Company (Revised Exhibit LJT-2) which did not
11 include forecasted changes in either environmental or fuel costs. As shown in Exhibit
12 LJT-R1, fuel would have to average more than \$40/MWh during the period January
13 2012 – May 2015 to produce an adverse impact on the MRO Price Test.

14 This level of fuel increase is highly unlikely for several reasons. First, the
15 2011 level of full fuel cost is only \$33/MWh. Second, the Company's fuel forecast
16 for 2012-2014, as referenced by FES witness Schnitzer and IEU witness Murray in
17 their filed confidential testimonies and reflected on FES Confidential Exhibit 10 in
18 this case, results in fuel costs less than the maximum amount determined in Exhibit
19 LJT-R1. Third, due to anticipated increased shopping under the Stipulation, fuel
20 factors generally decrease when less load is served and generation resources remain
21 the same. Accordingly, the Company's fuel forecast for 2012-2014 as provided early
22 in this case is likely overstated.

1 **Q. WHAT ENVIRONMENTAL COSTS ARE INCLUDED IN EXHIBIT LJT-R1?**

2 A. Exhibit LJT-R1 uses an average of the high and low environmental costs presented by
3 FES witness Schnitzer. Mr. Schnitzer provided this environmental data in Exhibit
4 MMS-4, pages 2 and 4 of his revised testimony filed on October 13, 2011.

5 **Q. WHAT CONCLUSIONS CAN BE MADE BASED ON THE RESULTS OF**
6 **THE ANALYSIS PROVIDED IN EXHIBIT LJT-R1?**

7 A. Based on the results of the analysis, the inclusion of forecasted fuel and
8 environmental costs has no adverse impact on the MRO Price Test. In fact, the
9 impact would be an increased ESP Price Benefit under the MRO Price Test. This
10 result is valid because forecasted fuel averages less than \$40/MWh regardless of
11 whether the Company's initial fuel forecast is used or a reduced forecast is used to
12 reflect customer shopping under the Stipulation. Therefore, the criticisms of the Non-
13 Signatory Parties related to the fuel forecast and the MRO Price Test are not
14 appropriate and should be disregarded. This issue does not undermine the
15 Company's MRO Price Test as provided in this case.

16 **Q. WHAT IS THE MAXIMUM FUEL RATE THAT WOULD BE DETERMINED**
17 **IF THE BASE ESP 'G' RATE WERE REVISED TO EXCLUDE ALL POLR**
18 **CHARGES?**

19 A. A maximum fuel rate greater than \$40/MWh would still be needed to have an adverse
20 impact result under the scenario where all POLR charges are excluded from the Base
21 ESP 'g' Rate shown on Line 1 of Exhibit LJT-R1. The same conclusions as stated
22 above would apply in this scenario as well.

1 **FE AUCTION PRICES ARE NOT APPLICABLE**

2 **Q. DOES IEU WITNESS MURRAY ADDRESS FE AUCTION PRICES**
3 **RELATIVE TO AEP OHIO'S COMPETITIVE BENCHMARK?**

4 A. Yes. IEU witness Murray states that "It is unreasonable to resort to administratively
5 determined estimates of competitive power prices when real results are readily
6 available and more reliable." (Murray prefiled testimony at pages 28-29; Tr. Volume
7 XI at page 1893 lines 3-25 – page 1894 lines 1-3.) Accordingly, for the purposes of
8 his MRO Price Test in Exhibit KMM-11, Mr. Murray uses the January 2011 FE
9 Auction price for the June 2011 to May 2014 delivery period (\$57.47/MWh).
10 However, in both his prefiled direct testimony and on cross-examination, Mr. Murray
11 fails to recognize the many reasons that these "real results" from FE's auction are not
12 applicable to AEP Ohio. (Tr. Volume XI at pages 1897-1905.)

13 **Q. WHY ARE FE'S AUCTION RESULTS NOT APPLICABLE TO AEP OHIO?**

14 A. There are numerous reasons, both quantifiable and non-quantifiable, why FE's
15 auction results are not applicable to AEP Ohio. The first and most obvious difference
16 is the delivery period for the FE auctions and the applicable period of the ESP for
17 AEP Ohio. These periods are not the same and do not even include the same number
18 of months as shown in Table 1 below. It would be inappropriate to assume that prices
19 for two different delivery periods would be the same.

20 Table 1

Year	FirstEnergy		AEP Ohio	
	Period	# Months	Period	# Months
2011	Jun-Dec	7	N/A	0
2012	Jan - Dec	12	Jan - Dec	12
2013	Jan - Dec	12	Jan - Dec	12
2014	Jan-May	5	Jan - Dec	12
2015	N/A	0	Jan - May	5

1 **Q. WHEN WERE THE AUCTIONS HELD FOR FE?**

2 A. As discussed in the prefiled testimony of IEU witness Murray (at page 32, lines 3-17),
3 the FE auctions were held in October 2010 and January 2011. Also, Exhibit KMM-2
4 illustrates how future additional auctions will be held to determine the ultimate prices
5 for June 2012 – May 2014. Those prices are not known at this time and will be
6 determined by competitive bid in October 2011, January and October 2012, and
7 January 2013.

8 **Q. IS IT REASONABLE TO EXPECT THAT THE FE AUCTION PRICES**
9 **WOULD INCLUDE THE SAME COMPONENTS AS IDENTIFIED IN THE**
10 **COMPANY’S COMPETITIVE BENCHMARK PRICE?**

11 A. Yes. Because the FE auction is for a full requirements product, it would include the
12 items priced in the Company’s Competitive Benchmark. IEU witness Murray
13 acknowledges that the full requirements product would include energy (Tr. Volume
14 XI, at page 1898 lines 24-25 – page 1899 lines 1-13). Because the Simple Swap is
15 the market price of energy, it is appropriate to use the Simple Swap as an estimate of
16 the energy component of the FE auction price, contrary to Mr. Murray’s assertion that
17 there is nothing akin to a simple swap contained in the FE auction prices.

18 **Q. PLEASE EXPLAIN THE MOVEMENT IN ENERGY OR SIMPLE SWAP**
19 **PRICES RELATED TO THE FE AUCTION RESULTS SO FAR.**

20 A. The following table shows how Simple Swap prices moved based on market data for
21 the dates where the FE auction has already been held. As shown in Table 2 below,
22 prices moved upward over the three-month period between FE auctions. For
23 comparison purposes, also included are Simple Swap prices based on the five trading

days used to determine the Simple Swap component of the Company's Competitive Benchmark price. This price movement over time is one of the many reasons why the FE auction price would not be applicable to AEP Ohio.

Table 2

<u>Date</u>	<u>Calendar Year Simple Swap Price 2011- 2013</u>	<u>Calendar Year Simple Swap Price 2012- 2014</u>	<u>Average (to represent June 2011 - May 2014)</u>	<u>Movement from Prior Date</u>
10/20/10 FE Auction Date #1	\$38.58	\$41.93	\$40.26	
1/25/11 FE Auction Date #2 *	\$39.20	\$41.91	\$40.56	\$0.30
7/7/11 Dates used to develop Simple Swap		\$41.91		
7/8/11 Component of AEP Ohio's		\$42.56		
7/11/11 Competitive Benchmark, prices are		\$43.22		
7/12/11 averaged		\$43.27		
7/13/11		\$43.37		
Average		\$42.87	\$42.87	\$2.31

* Data used for 12/29/10 - last day 2011 calendar year forward price data was available

Because data is readily available on a calendar year basis, prices for delivery in 2011-2013 and for 2012-2014 are averaged, resulting in price movements of \$0.30/MWh between the two FE auction dates and \$2.31/MWh between the January FE auction and the time period used for Simple Swap data in this proceeding, respectively.

Q. ARE THERE OTHER COMPONENTS OF AEP OHIO'S COMPETITIVE BENCHMARK THAT ARE DIFFERENT FOR AEP OHIO THAN FOR THEY ARE FOR FE?

A. Yes, there are three other components, excluding capacity, where the differences between FE and AEP Ohio are easily quantifiable. Each of these differences would have a quantified impact on auction prices as well.

1. Basis Adjustment – FE and AEP Ohio are in different zones within PJM and prices can be different between those zones. Even FES witness Schnitzer

1 recognizes that prices for the AEP zone have historically been about \$3/MWh
2 higher in the AEP zone than for FE. (Schnitzer July 25 testimony, page 27, line
3 26) This is consistent with my review of available information.

4 2. Alternative Energy Requirement – IEU witness Murray recognizes that the FE
5 auction did not include costs to meet Ohio alternative energy requirements
6 (Murray prefiled testimony at page 39). The average cost included in the AEP
7 Ohio Competitive Benchmark price for such requirements is \$0.69/MWh for
8 January 2012 – May 2014.

9 3. Losses – FE auction prices do not include losses because the prices apply to loss
10 adjusted MWhs, i.e., losses are included in the MWh. AEP Ohio's Competitive
11 Benchmark price applies to metered MWhs and therefore losses are included in
12 the price. This results in an average price difference of \$1.81.

13 **Q. PLEASE EXPLAIN THE DIFFERENCES IN CAPACITY PRICING**
14 **BETWEEN FE AND AEP OHIO.**

15 A. As discussed by Company witnesses Nelson and Pearce, and as addressed by the
16 Stipulation, AEP Ohio is currently an FRR entity and will change to RPM status for
17 the planning year 2015-2016. On the other hand, as discussed by IEU witness
18 Murray, FE held transitional FRR auctions to obtain capacity before becoming an
19 RPM entity beginning in June 2013. (see Tr. Volume XI at pages 1899-1900.)
20 Accordingly, FE's auction pricing takes into account the results of the transitional
21 capacity auctions while AEP Ohio's Competitive Benchmark prices are appropriately
22 based on the negotiated capacity pricing stated in the Stipulation which is a
23 combination of RPM-based pricing and \$255/MW-Day.

1 Even for the RPM-based component of AEP Ohio's capacity price, there are
2 differences from FE's capacity price. While the PJM auction is held three years in
3 advance, FE's capacity auction was held in 2010 - only one year in advance for
4 planning year 2011/2012 and two years in advance for planning year 2012/2013. IEU
5 witness Murray addresses differences in the base residual auction prices, however, he
6 does not consider the adjusted prices that apply within each zone. (See Murray
7 prefiled testimony at pages 33-34.) When considering the applicable scalars that
8 apply to RPM-based prices in each zone, there is a difference in pricing. The average
9 difference in capacity pricing (considering RPM-based prices only) for the period
10 June 2011 through May 2014 is approximately \$0.43/MWh.

11 **Q. ARE THERE ADDITIONAL COMPETITIVE BENCHMARK COMPONENTS**
12 **NOT YET ADDRESSED?**

13 A. Yes, the Competitive Benchmark components for Load Following/Shaping
14 Adjustment, Ancillary Services, ARR Credit, Transaction Risk Adder and Retail
15 Administration Charge have not been addressed. However, there are no reasons to
16 believe that pricing would be the same for FE and AEP Ohio. Given the limitations
17 of available data, these differences cannot be quantified.

18 **Q. USING THE DIFFERENCES THAT HAVE BEEN QUANTIFIED, PLEASE**
19 **ILLUSTRATE THE DIFFERENCES THAT IEU WITNESS MURRAY FAILS**
20 **TO ACCOUNT FOR BETWEEN FE'S AUCTION PRICE AND AEP OHIO'S**
21 **COMPETITIVE BENCHMARK PRICE.**

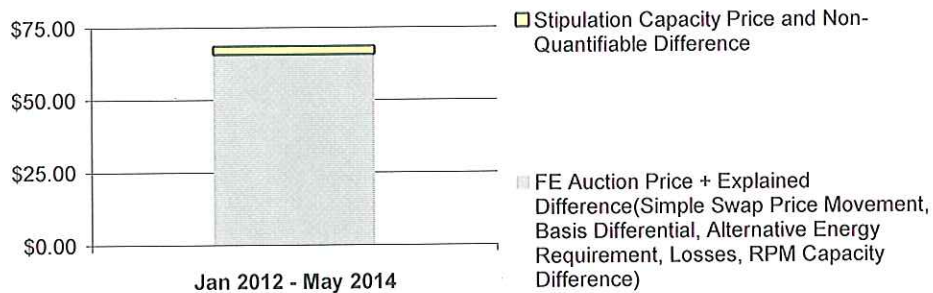
22 A. The FE auction price used by IEU witness Murray as a proxy for the market price is
23 \$57.47/MWh for January 2012 – May 2014. The Company's weighted average

Expected Bid Price for the same period is \$68.60/MWh. As shown in Table 3 below, when the readily quantifiable differences are accounted for, there exists only a small remaining difference in price (less than \$3.00/MWh). The logical conclusion is that there is little overall impact of the Stipulation's determination of capacity pricing for AEP Ohio on the Expected Bid Price for the MRO Price Test when FE auction prices have been properly adjusted for known differences between AEP Ohio and FE. This is especially true since a comparison of the additional items addressed above cannot be quantified.

Table 3

Item	2012	Jan 2013 - May 2014	Wtd Avg	Source
FE Auction Price	\$57.47	\$57.47	\$57.47	Exhibit KMM-11, Line 28
Simple Swap Price Movement			\$2.31	Table 2
Basis Differential			\$2.97	Schnitzer 7-25 Testimony, pg 27
Alternative Energy Req			\$0.69	LJT Rebuttal Workpapers
Losses			\$1.81	LJT Rebuttal Workpapers
RPM Capacity Differential			\$0.43	LJT Rebuttal Workpapers
Total			\$65.68	
AEP Ohio	\$67.72	\$69.23	\$68.60	Revised Exhibit LJ-2, Line 8
Difference			\$2.92	

Breakdown of AEP Ohio Expected Bid Price



AUCTION YEAR MRO PRICE TEST

Q. WHAT POSITION DOES IEU WITNESS MURRAY TAKE REGARDING THE AUCTION YEAR OF THE ESP PERIOD?

1 A. IEU witness Murray makes a number of statements on the issue, including that the
2 Company omitted the Auction Year of the ESP in the MRO Price Test and that the
3 MRO Price Test fails by inclusion of that additional year. (See Murray prefiled
4 testimony at pages 43-44.) IEU witness Murray also includes a MRO Price Test
5 calculation that includes the Auction Year.

6 **Q. ARE MR. MURRAY'S ASSERTIONS AND CALCULATIONS CORRECT?**

7 A. No, his assertions and calculations are not correct. Per Paragraph IV.1.r of the
8 Stipulation, AEP Ohio will use a competitive bidding process (CBP) to meet its SSO
9 obligation for the Auction Year and retail tariff rates will be set accordingly. As
10 such, the MRO Annual Price and the Stipulation ESP Price are equal to the Expected
11 Bid Price (CBP or auction price). As shown in Exhibit LJT-R2, Page 1 of 2, this
12 results in a zero benefit, i.e., that an ESP and a MRO would produce the same pricing
13 result.

14 **Q. IN EXHIBIT KMM-11, IEU WITNESS MURRAY ARRIVES AT AN MRO**
15 **ANNUAL PRICE FOR THE AUCTION YEAR USING A WEIGHTING OF**
16 **THE 2011 ESP GENERATION RATE AND THE MARKET PRICE. IS IT**
17 **CORRECT TO USE SUCH A WEIGHTING?**

18 A. No. It is not appropriate to use any weighting of legacy generation rates for the
19 Auction Year because 100% of the load will be subject to competitive bid. It is my
20 understanding, based on advice of counsel, that the percentages specified in Section
21 4928.142 (D), Ohio Revised Code, tie together the amount of load that is put up for
22 competitive bid. In other words, if 10% of the load is competitively bid under the
23 MRO then the pricing is based on 10% market and 90% legacy generation rates. IEU

1 witness Murray breaks that link by using a weighting that is 56% legacy generation
2 rate even though 100% of the load will be competitively bid.

3 Since 100% of the load is to be competitively bid for delivery in the Auction
4 Year, it would make no sense to impose pricing based on a blend of legacy ESP rates
5 that include items such as the fuel adjustment clause (FAC). As explained in
6 Paragraph IV.1.m of the Stipulation, the FAC, in its current form, will continue only
7 through May 31, 2015.

8 Because IEU witness Murray uses an incorrect blending of prices in his MRO
9 Price Test, it is not surprising that he arrives at an incorrect conclusion that the
10 Auction Year has a negative impact on the MRO Price Test. The correct application,
11 as shown in Exhibit LJT-R2, Page 1 of 2, shows the proper result. Because the
12 proper application of the MRO Price Test to the last year of the ESP results in a zero
13 impact, its inclusion or exclusion from the MRO Price Test has no impact on the ESP
14 Price Benefit.

15 **Q. HAS THE COMMISSION ADOPTED THE COMPANY'S APPROACH TO A**
16 **PERIOD OF AN ESP WHEN 100% OF THE LOAD IS COMPETITIVELY**
17 **BID?**

18 A. Yes, in Case No. 10-388-EL-SSO, the Commission stated "Under the proposed ESP
19 in the Combined Stipulation, the rates to be charged customers will be established
20 through a CBP; therefore, the rates in the ESP should be equivalent to the results
21 which would be obtained under Section 4928.142, Revised Code..." (Opinion and
22 Order at page 44). Exhibit LJT-R2, Page 1 of 2 illustrates this same conclusion.

1 **Q. PLEASE EXPLAIN HOW SSO LOAD WILL BE SERVED DURING THE**
2 **AUCTION YEAR.**

3 A. As discussed above, Paragraph IV.1.r of the Stipulation requires that AEP Ohio use a
4 CBP to meet its SSO obligation for the Auction Year. Also, Paragraph IV.1.q
5 requires the Company to implement full legal corporate separation. This means that
6 when the CBP is used to supply SSO load beginning in June 2015, the EDU will have
7 divested its generation. Therefore, the SSO load will be served with purchased power
8 acquired through the CBP.

9 **Q. UNDER IEU WITNESS MURRAY'S THEORY OF THE MRO PRICE TEST**
10 **FOR THE AUCTION YEAR, DID HE ACCOUNT FOR THIS PURCHASED**
11 **POWER THAT WOULD OCCUR?**

12 A. While the Company does not agree with Mr. Murray's approach, that approach does
13 not account for the purchased power resulting from the CBP that would be required to
14 meet the Company's SSO obligation. As discussed on page 12 of my Testimony in
15 Support of the Stipulation and Recommendation, I have been advised by counsel that
16 Section 4928.142(D), Ohio Revised Code permits adjustments to the 2011 generation
17 price for purchased power.

18 **Q. WHAT HAPPENS IF THE LEGACY ESP PRICE IS ADJUSTED FOR THE**
19 **PURCHASED POWER RESULTING FROM THE CBP AND A WEIGHTING**
20 **FACTOR OF 56% IS APPLIED TO THIS PRICE UNDER IEU WITNESS**
21 **MURRAY'S THEORY OF THE MRO PRICE TEST?**

22 A. As shown in Exhibit LJT-R2, Page 2 of 2, the results are identical to those shown in
23 Exhibit LJT-R2, Page 1 of 2. Both pages show that the MRO Annual Price and the

1 Stipulation ESP Price are equal to the Expected Bid Price (CBP or auction price).
2 Therefore, even under IEU witness Murray's theory of the MRO Price Test for the
3 Auction Year and when done properly, the result is no impact on the ESP Price
4 Benefit.

5 **MRO PRICE TEST BY OPERATING COMPANY**

6 **Q. IEU WITNESS MURRAY STATES THAT "THE COMPANIES DID NOT**
7 **PERFORM A COMPARISON OF RATES UNDER AN MRO VERSUS AN**
8 **ESP INDIVIDUALLY FOR OPCO AND CSP, THE EDUS." (MURRAY**
9 **PREFILED TESTIMONY AT PAGE 26 LINES 2-3) IS THIS CORRECT?**

10 **A.** No, it is not. The Company performed its MRO Price Test showing the individual
11 results for both OPCo and CSP. As it relates to my testimony, this detail was
12 provided in the workpapers and electronic versions of Exhibit LJT-2, Revised Exhibit
13 LJT-2 and Exhibit LJT-3. This detail can be found in the electronic version of each
14 of those exhibits by simply viewing all columns within the spreadsheet. The
15 combined or AEP Ohio results by year were derived by first performing the
16 calculations for each operating company and then weight averaging the operating
17 company results as indicated by the formulas used within the electronic versions of
18 my exhibits.

19 **Q. HAVE YOU INCLUDED A REBUTTAL EXHIBIT WHICH PROVIDES THE**
20 **OPERATING COMPANY DETAIL THAT WAS CONTAINED IN YOUR**
21 **ELECTRONIC VERSION OF REVISED EXHIBIT LJT-2, THE REVISED**
22 **MRO PRICE TEST PROVIDED ON OCTOBER 4, 2011?**

1 A. Yes. For convenience, attached as Exhibit LJT-R3, is the operating company detail
2 of Revised Exhibit LJT-2 from my consolidated testimony.

3 **Q. DID THE COMPANY PROVIDE THE DETAIL BY OPERATING COMPANY**
4 **FOR EACH MRO PRICE TEST PROVIDED IN THIS CASE?**

5 A. Yes, every MRO Price Test prepared by the Company in this case contained this
6 operating company detail, beginning with the Company's original filing. That detail
7 was provided in my filed workpapers and has been included in all workpapers and
8 electronic versions of each and every MRO Price Test provided by the Company in
9 this case. The Company's application in this case also stated that the workpapers
10 provided such detail.

11 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY IN SUPPORT**
12 **OF THE STIPULATION?**

13 A. Yes it does.

AEP Ohio
Electric Security Plan
Stipulation Market Rate Option Test
Alternative Market Rate Option Price Test
Maximum Fuel Rate Using Reduced POLR and M. Schnitzer Average Environmental

	2012	Jan 2013 - May 2014	Jun 2014 - May 2015	Wtd Average (4) = weighted (1), (2) and (3)
Generation Service Price	(1)	(2)	(3)	
1 2011 Base ESP 'g' Rate	25.16	25.09	25.09	25.11
2 2011 Fuel	33.01	33.00	33.00	33.00
3 Average Incremental Fuel	7.28	7.28	7.28	7.28
4 Incremental Environmental (a)	0.25	2.28	4.33	2.28
5 Total Generation Service Price	65.70	67.65	69.70	67.67
<u>Expected Bid Price</u>				
6 Competitive Benchmark - Capacity Cost	70.53	74.66	79.85	74.95
7 Shopping Benchmark Weight	79%	66%	59%	
8 Competitive Benchmark - RPM	57.16	58.68	72.32	62.21
9 Shopping Benchmark Weight	21%	34%	41%	
10 Expected Bid Price	67.72	69.23	76.76	70.98
<u>MRO Pricing</u>				
11 Generation Service Price	65.70	67.65	69.70	67.67
12 Generation Service Weight	90%	77%	66%	
13 Expected Bid Price	67.72	69.23	76.76	70.98
14 Expected Bid Weight	10%	23%	34%	
15 MRO Annual Price	65.90	68.01	72.10	68.58
<u>MRO - ESP Price Comparison</u>				
16 MRO Annual Price	65.90	68.01	72.10	68.58
17 Stipulation ESP Price (b)	59.71	61.34	62.34	61.15
18 Average Incremental Fuel	7.28	7.28	7.28	7.28
19 Adjusted Stipulation ESP Price	66.99	68.62	69.62	68.43
20 ESP Price Benefit (c,d)	(1.09)	(0.61)	2.48	0.15
Average Incremental Fuel				7.28
Average 2011 Full Cost Fuel				33.00
Maximum Fuel Rate that Achieves Same MRO Price Test Result as Determined in Revised Exhibit LJT-2				40.28

(a) Excludes \$0.90 included in Line 1

(b) Includes 2011 Fuel (Line 2)

(c) Does not include all ESP Benefits included in the Settlement

(d) Same Wtd Average ESP Benefit as shown in Revised Exhibit LJT-2, column (4), line 16

**AEP Ohio
Electric Security Plan
Stipulation Market Rate Offer Test
Market Rate Offer Price Test for June 2015 - May 2016**

Auction for 100%
of Load

Jun 2015 - May
2016

<u>Generation Service Price</u>		(1)
1	2011 Base ESP 'g' Rate	25.09
2	2011 Full Fuel	33.00
3	Total Generation Service Price	58.09

Expected Bid Price

4	Competitive Benchmark - Capacity Cost	
5	Shopping Benchmark Weight	
6	Competitive Benchmark - RPM	AP
7	Shopping Benchmark Weight	100%
8	Expected Bid Price	AP

MRO Pricing

9	Generation Service Price	58.09
10	Generation Service Weight	0%
11	Expected Bid Price	AP
12	Expected Bid Weight	100%
13	MRO Annual Price	AP

MRO - ESP Price Comparison

14	MRO Annual Price	AP
15	Stipulation ESP Price	AP
16	ESP Price Benefit*	0.00

* Does not include all ESP Benefits included in the Settlement

AP = Auction Price

AEP Ohio
Electric Security Plan
Stipulation Market Rate Offer Test
Market Rate Offer Price Test for June 2015 - May 2016
Purchased Power Alternative

		Jun 2015 - May 2016	Comments
Generation Service Price		(1)	(2)
1	2011 Base ESP 'g' Rate	0.00	Since the Company has divested its generation, it no longer has a Base ESP 'g' Rate or Fuel Cost
2	2011 Full Fuel	0.00	
3	Purchased Power	AP	
4	Total Generation Service Price	AP	Purchased Power Cost = CBP or Auction Price
<u>Expected Bid Price</u>			
5	Competitive Benchmark - Capacity Cost		
6	Shopping Benchmark Weight		
7	Competitive Benchmark - RPM	AP	
8	Shopping Benchmark Weight	100%	
9	Expected Bid Price	AP	
<u>MRO Pricing</u>			
10	Generation Service Price	AP	
11	Generation Service Weight	56%	
12	Expected Bid Price	AP	
13	Expected Bid Weight	44%	
14	MRO Annual Price	AP	
<u>MRO - ESP Price Comparison</u>			
15	MRO Annual Price	AP	
16	Stipulation ESP Price	AP	
17	ESP Price Benefit*	0.00	

* Does not include all ESP Benefits included in the Settlement

AP = Auction Price

AEP Ohio
Electric Security Plan
Stipulation Market Rate Offer Test
Market Rate Offer Price Test

	(1)		(2)						(3)		(4) = weighted (1), (2) and (3)	
	CSP	OPCo	2012	CSP	OPCo	Jan 2013 - May 2014	Jan 2013 - May 2014	Jun 2014 - May 2015	Jun 2014 - May 2015	OPCo	CSP	OPCo
Generation Service Price												
1 2011 Base ESP 'g' Rate	24.22	25.80	25.16	24.15	25.70	25.09	24.19	25.68	25.09	25.73	24.18	25.11
2 2011 Full Fuel*	36.43	30.71	33.01	36.43	30.71	33.00	36.43	30.71	33.00	30.71	36.43	33.00
3 Total Generation Service Price	60.65	56.51	58.17	60.58	56.41	58.09	60.62	56.39	58.09	56.44	60.61	58.11
Expected Bid Price												
4 Competitive Benchmark - Capacity Cost	72.10	69.47	70.53	76.23	73.60	74.66	81.52	78.74	79.85	73.88	76.55	74.95
5 Shopping Benchmark Weight	79%	79%	79%	66%	66%	66%	59%	59%	59%	59%	59%	59%
6 Competitive Benchmark - RPM	57.85	56.71	57.16	59.16	56.35	58.68	73.47	71.54	72.32	61.71	62.94	62.21
7 Shopping Benchmark Weight	21%	21%	21%	34%	34%	34%	41%	41%	41%	41%	41%	41%
8 Expected Bid Price	69.11	66.79	67.72	70.43	68.42	69.23	78.22	75.79	76.76	72.31	70.09	70.98
MRO Pricing												
9 Generation Service Price	60.65	56.51	58.17	60.58	56.41	58.09	60.62	56.39	58.09	56.44	60.61	58.11
10 Generation Service Weight	90%	90%	90%	77%	77%	77%	66%	66%	66%	66%	66%	66%
11 Expected Bid Price	69.11	66.79	67.72	70.43	68.42	69.23	78.22	75.79	76.76	70.09	72.31	70.98
12 Expected Bid Weight	10%	10%	10%	23%	23%	23%	34%	34%	34%	34%	34%	34%
13 MRO Annual Price	61.50	57.54	59.13	62.85	59.17	60.65	66.60	62.99	64.44	63.54	59.80	61.30
MRO - ESP Price Comparison												
14 MRO Annual Price	61.50	57.54	59.13	62.85	59.17	60.65	66.60	62.99	64.44	63.54	59.80	61.30
15 Stipulation ESP Price	61.74	59.35	59.71	63.57	59.85	61.34	64.70	60.76	62.34	63.36	59.67	61.15
16 ESP Price Benefit**	(0.24)	(0.81)	(0.58)	(0.72)	(0.68)	(0.69)	1.90	2.23	2.10	0.18	0.13	0.15

* Includes "Renewable and Energy Efficiency Adjustment", updated based on Forecast FAC for Jul-Sep 2011 Fuel from Case No. 11-281-EL-FAC

** Does not include all ESP Benefits included in the Settlement

CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the Rebuttal Testimony of Laura J. Thomas was served this 21st day of October, 2011 by electronic mail, upon the persons listed below.

//s/ Steven T. Nourse

Steven T. Nourse

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Summary: Testimony Rebuttal Testimony of Laura J. Thomas electronically filed by Mr. Steven
T Nourse on behalf of American Electric Power Service Corporation