





1 In the Matter of the :  
 Application of Columbus :  
 2 Southern Power Company for:  
 Approval of a Mechanism to: Case No. 11-4920-EL-RDR  
 3 Recover Deferred Fuel :  
 Costs Ordered Under Ohio :  
 4 Revised Code 4928.144. :

5 In the Matter of the :  
 Application of Ohio Power :  
 6 Company for Approval of a :  
 Mechanism to Recover : Case No. 11-4921-EL-RDR  
 7 Deferred Fuel Costs :  
 Ordered Under Ohio Revised:  
 8 Code 4928.144. :

9 - - -

10 PROCEEDINGS

11 before Ms. Greta See and Mr. Jonathan Tauber,  
 12 Attorney Examiners, at the Public Utilities  
 13 Commission of Ohio, 180 East Broad Street, Room 11-A,  
 14 Columbus, Ohio, called at 10:00 a.m. on Thursday,  
 15 October 27, 2011.

16 - - -

17 VOLUME XIII

18 - - -

19  
 20  
 21 ARMSTRONG & OKEY, INC.  
 22 222 East Town Street, Second Floor  
 Columbus, Ohio 43215-5201  
 (614) 224-9481 - (800) 223-9481  
 23 Fax - (614) 224-5724

24 - - -

25

**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

**REBUTIAL TESTIMONY OF DAVID M. ROUSH  
IN SUPPORT OF THE STIPULATION AND RECOMMENDATION  
ON BEHALF OF  
COLUMBUS SOUTHERN POWER COMPANY  
AND  
OHIO POWER COMPANY**

Filed: October 21, 2011

INDEX TO REBUTTAL TESTIMONY OF  
DAVID M. ROUSH

	<u>Page No.</u>
1 <b>Personal Data</b> .....	1
2 <b>Purpose of Testimony</b> .....	1
3 <b>Rebuttal Issues</b> .....	2

BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO  
REBUTTAL TESTIMONY OF DAVID M. ROUSH  
IN SUPPORT OF THE STIPULATION AND RECOMMENDATION  
ON BEHALF OF  
COLUMBUS SOUTHERN POWER  
AND  
OHIO POWER COMPANY

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A. My name is David M Roush. My business address is 1 Riverside Plaza,  
3 Columbus, Ohio 43215.

4 Q. ARE YOU THE SAME DAVID M. ROUSH WHO FILED DIRECT  
5 TESTIMONY IN SUPPORT OF THE STIPULATION IN THIS  
6 PROCEEDING?

7 A. Yes.

8 PURPOSE OF TESTIMONY

9 Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

10 A. The purpose of my rebuttal testimony is to discuss certain unjustified criticisms of  
11 the September 7, 2011 Joint Stipulation and Recommendation (Stipulation).  
12 Specifically, I address the assertion by OCC witness Duann that residential  
13 customers bear an unfair burden of the increase, the allegations made by Dr.  
14 Duann, FES witness Lesser and IEU witness Murray that the Stipulation rate  
15 design is inappropriate, the allegations made by Dr. Lesser that the Market  
16 Transition Rider is inappropriate, and Mr. Murray's arithmetic errors used to  
17 support a claim that Columbus Southern Power Company and Ohio Power  
18 Company (CSP and OPCo individually and "AEP Ohio" or "Companies")

1 collectively) conceded very little in the Stipulation when compared to the initial  
2 filing.

3 **Q. WHAT EXHIBITS ARE YOU SPONSORING?**

4 **A.** I am sponsoring the following exhibits:

5 Exhibit DMR-R1 Stipulation Change in Generation Rates Compared  
6 to Historical Subsidies

7 Exhibit DMR-R2 Comparison of Generation Service Rider Rates for  
8 First Energy to AEP Ohio Generation Rates Before  
9 and With Stipulation ESP

10 Exhibit DMR-R3 Stipulation Distribution Rate Comparison

11 Exhibit DMR-R4 Comparison of Rate Change With and Without  
12 Market Transition Rider

13 Exhibit DMR-R5 Comparison of ESP As-Filed to Stipulation

14 **REBUTTAL ISSUES**

15 **Q. IEU WITNESS MURRAY (PREFILED DIRECT AT 19-20) AND OCC**  
16 **WITNESS DUANN (PREFILED DIRECT AT 21-23) CRITICIZE THE**  
17 **STIPULATION'S GENERATION RATE DESIGN. PLEASE DISCUSS**  
18 **THE STIPULATION RATE DESIGN AND THE RESULTING**  
19 **ALLOCATION OF GENERATION RATE RELIEF.**

20 **A.** As shown in Exhibit DMR-R1, the Stipulation's change in generation rates does  
21 vary by class of service OCC witness Duann's statement that the signatory  
22 parties have not shown any credible rationale for the revenue distribution is  
23 without merit (see prefiled direct at page 22, lines 16-17). Quite simply, the  
24 design of the Stipulation generation prices rationalizes the rate relationships based  
25 upon the manner in which the market would price such loads based upon the load  
26 shape for each class CSP's and OPCo's last rate cases were in the early 1990s.

1 Since that time the Companies' rates have been unbundled into generation,  
2 transmission and distribution components and subsequently adjusted based upon  
3 percentage adjustments to the then current unbundled rates. As such, the  
4 generation rates reflect an amalgamation of very old cost relationships, including  
5 any historical levels of cross-subsidization among tariff classes.

6 Exhibit DMR-R1 shows the historical level of cross-subsidization among  
7 the tariff classes that existed at the time of each Company's last base rate case and  
8 was part of their unbundled generation rates established in the 1999 Electric  
9 Transition Plan cases. As can be seen, those values align remarkably well with  
10 the Stipulation changes in generation rates. Thus, the removal of historical inter-  
11 class subsidies further supports the rationality of the Stipulation rate design.

12 Further, since the Stipulation will result in SSO rates beginning in June  
13 2015 being based upon a competitive bid process, it is important to begin the  
14 transition to such market-based pricing during 2012 through May 2015. Exhibit  
15 DMR-R2 shows a comparison of the First Energy EDU's Generation Service  
16 Rider (RIDER GEN) to AEP Ohio's generation service rates before and with the  
17 Stipulation ESP. Since RIDER GEN is based upon the conversion of the results  
18 of a bidding process into rates by class under a Commission approved  
19 methodology, one would expect the rate relationships (but not the absolute values  
20 of the rates) to roughly approximate the outcome of such a process for AEP Ohio.  
21 As can be seen in Exhibit DMR-R2, the Stipulation rate relationships are  
22 significantly better aligned with RIDER GEN (and thus market based pricing)  
23 than are AEP Ohio's generation service rates before the ESP Stipulation.



1 Q. PLEASE ADDRESS THE CRITICISMS OF OCC WITNESS DUANN  
2 REGARDING THE STIPULATION ALLOCATION OF RATE RELIEF  
3 WITH RESPECT TO DISTRIBUTION RATES.

4 A As shown in Exhibit DMR-R3, the Stipulation percentage change in distribution  
5 rates only varies slightly by class of service when viewed as a percentage change  
6 in distribution service charges. Such an assignment is both reasonable and  
7 expected. Since distribution is a larger component of smaller, low voltage  
8 customer bills, such customers total bill increase percentages are higher This is  
9 entirely appropriate as those are the customers that are utilizing and benefiting  
10 from the distribution system, whereas larger, higher voltage customers generally  
11 are not using the distribution system at all. For these reasons, as also shown in  
12 Exhibit DMR-R3, the Stipulation percentage change in total rates resulting from  
13 the distribution rate relief should, and does, vary by tariff class.

14 Q. PLEASE ADDRESS THE FURTHER CRITICISMS OF IEU WITNESS  
15 MURRAY REGARDING THE STIPULATION RATE DESIGN (SEE  
16 PREFILED DIRECT PAGE 20).

17 A. Mr Murray incorrectly claims that the Stipulation generation rates are not  
18 seasonally differentiated or differentiated by time of day (see prefiled direct at 20,  
19 lines 19 and 20). As clearly shown in Exhibit DMR-2 filed September 13, 2011,  
20 the total generation rates were computed using seasonal factors, as shown in the  
21 columns labeled "Summer" and "Winter". As also shown in Exhibit DMR-2 filed  
22 September 13, 2011, the Stipulation generation rates include rates for "On-Peak  
23 Hours" and "Off-Peak Hours", by season, for customers that have elected service

1 under an SSO tariff with time-of-day pricing. Finally, Mr. Murray opines that the  
2 FAC charge is disconnected from market prices (see prefiled direct at 20, lines  
3 20-23). However, as previously discussed, the Stipulation generation prices in  
4 total were established based upon market price relationships. The FAC was then  
5 subtracted to determine the base generation rates. Any extent to which the FAC  
6 may not be reflective of market is irrelevant, as the total generation prices are  
7 reflective of market. This is particularly true since SSO customers pay the total  
8 generation price (base generation rates plus the FAC), not simply one component  
9 or the other.

10 **Q. HOW DO YOU RESPOND TO THE CRITICISMS OF THE MARKET**  
11 **TRANSITION RIDER ASSERTED BY FES WITNESS LESSER (SEE**  
12 **PREFILED DIRECT AT 42-44)?**

13 **A.** FES witness Lesser opposes the Market Transition Rider (MTR) outlined in the  
14 Stipulation (see prefiled direct at 42-44). Although recognizing that the MTR  
15 would be a credit to residential customers, Dr. Lesser still opposed the mechanism  
16 (Tr. Volume VII at page 1323 lines 9-16). Despite the criticisms of Dr. Lesser,  
17 the MTR is a valuable part of the Stipulation for customers to facilitate the  
18 transition from CSP's and OPCo's current generation rates to the market-based  
19 SSO generation service rates. Exhibit DMR-R4 clearly shows that the intent of  
20 the MTR is being accomplished. Column (5) of Exhibit DMR-R4 shows the  
21 change in rates after the MTR compared to the change in rates before the MTR in  
22 Column (3). For example, the change for the CSP GS2 class before the MTR is a  
23 reduction of 2.35 cents per kWh and after the MTR is a reduction of 0.77 cents

1 per kWh. Conversely, the change for the CSP Residential class before the MTR  
2 is an increase of 0.60 cents per kWh and after the MTR is an increase of 0.30  
3 cents per kWh

4 Fundamentally, the MTR manages the transition from today's rates (Point  
5 A) to the rates in June 2015 through May 2016 which will be based upon the  
6 results of the competitive bidding process (Point B). Rather than waiting until  
7 June 2015 and potentially subjecting customers to abrupt rate changes at that  
8 time, the Stipulation provides through the MTR a reasonable glide path to get  
9 from Point A to Point B.

10 **Q. PLEASE DISCUSS IEU WITNESS MURRAY'S ERRONEOUS**  
11 **CALCULATION COMPARING THE ESP AS-FILED TO THE**  
12 **STIPULATION.**

13 **A** At page 4 of IEU witness Murray's prefiled direct testimony, Mr. Murray opines  
14 that it would be helpful to quantify the revenue increase difference between the  
15 Companies' proposal as-filed and the Stipulation and then endeavors to do so. In  
16 response, I have prepared an appropriate apples-to-apples comparison in Exhibit  
17 DMR-R5. In addition to correcting a simple, but significant, arithmetic error in  
18 Mr. Murray's calculation, I have also recognized that the Stipulation testimony  
19 exhibits reflected an updated FAC value and also established maximum values for  
20 the previously unquantified distribution increase. As shown in Exhibit DMR-R5,  
21 the Stipulation reflects a reduction of at least \$352 million dollars based upon this  
22 simple calculation, before considering the numerous other provisions of the  
23 Stipulation.

1 Q. PLEASE DISCUSS IEU WITNESS MURRAY'S OBJECTION TO THE  
2 PHASE-IN RECOVERY RIDER (PIRR) APPLYING TO BOTH CSP AND  
3 OPCO CUSTOMERS.

4 A. At pages 21 and 22 of IEU witness Murray's testimony, Mr. Murray opines that  
5 "the proposed PIRR misaligns cost responsibility with benefits, which is  
6 inconsistent with well-known regulatory principles." What Mr. Murray fails to  
7 recognize is the fundamental reason that the PIRR will apply to both CSP and  
8 OPCo customers is because CSP and OPCo will be a single, merged company  
9 under the Stipulation. As recently as the merger of Monongahela Power's former  
10 Ohio service territory into CSP, costs related to Monongahela Power were paid by  
11 all CSP customers through both the recently expired Litigation Termination Rider  
12 and also the Power Acquisition Rider. Most significantly, as shown in the table  
13 below, CSP customers benefit from reduced FAC costs as a result of the merger  
14 that effectively offset any perceived burden imposed by paying the PIRR.

Rates in ¢/kWh	CSP	OPCo	Merged Company
Pre-Merger FAC	3.59	3.08	3.29
Pre-Merger PIRR	0.00	0.49	0.29
Total	3.59	3.57	3.58
Source: Exhibit DMR-1 Filed September 13, 2011, 2012 Rate before Proposed ESP			

15

16 Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

17 A. Yes it does.

**AEP Ohio**  
**Stipulation Change in Generation Rates**  
**Compared to Historical Subsidies**

**Total Generation Rates (¢/kWh)**

	2012 Rates before Stipulation ESP	2012 Rates with Stipulation ESP	Change
	(1)	(2)	(3)=(2)-(1)
<b>CSP</b>			
RS	5.77	6.60	0.83
GS1	8.47	5.89	(2.58)
GS2	8.29	6.00	(2.29)
GS3	5.92	5.62	(0.30)
GS4/IRP	4.45	5.13	0.67
<b>OP</b>			
RS	5.66	6.57	0.92
GS1	6.70	5.87	(0.82)
GS2	6.29	6.00	(0.28)
GS3	5.21	5.50	0.29
GS4/IRP	4.57	4.76	0.20

Source: Exhibit DMR-1      Exhibit DMR-1  
As Filed September 13, 2001

**Generation Subsidies Remaining After Last Rate Cases**

	Subsidy \$	kWh	¢/kWh
	(1)	(2)	(3)=(1)/(2)
<b>CSP</b>			
RS	\$38,509,028	4,777,337,730	0.81
GS1	(\$4,973,940)	289,093,978	(1.72)
GS2	(\$19,035,785)	1,215,044,012	(1.57)
GS3	(\$15,870,582)	5,331,338,708	(0.30)
GS4	\$1,180,893	699,239,410	0.17
<b>OP</b>			
RS	\$5,645,572	6,160,996,965	0.09
GS1	(\$1,703,716)	284,462,434	(0.60)
GS2	(\$7,781,046)	2,275,968,282	(0.34)
GS3	(\$1,602,427)	6,148,842,808	(0.03)
GS4	\$6,380,538	7,167,434,076	0.09

Source: Schedule UNB-4      Schedule UNB-7  
Case Nos 99-1729-EL-ETP and 99-1730-EL-ETP

**AEP Ohio**  
**Comparison of Generation Service Rider Rates for First Energy**  
**to AEP Ohio Generation Rates Before and With Stipulation ESP**

**Rider GEN Rates (¢/kWh)**

	<u>Summer</u> <u>(Jun - Aug)</u>	<u>Winter</u> <u>(Sep - May)</u>	<u>Annual</u>
	(1)	(2)	(3)=[(1)x3+(2)x9]/12
<b>Ohio Edison Company</b>			
RS	6.66	5.74	5.97
GS	6.79	5.88	6.11
GP	6.36	5.48	5.70
GSU	6.08	5.22	5.44
GT	6.01	5.15	5.36
<b>The Toledo Edison Company</b>			
RS	6.72	5.80	6.03
GS	7.09	6.18	6.41
GP	6.38	5.50	5.72
GSU	6.18	5.17	5.42
GT	5.84	4.97	5.19
<b>The Cleveland Electric Illuminating Company</b>			
RS	6.67	5.76	5.98
GS	7.08	6.17	6.40
GP	5.98	5.10	5.32
GSU	5.99	5.13	5.35
GT	5.65	4.79	5.01

Source: Ohio Edison, Toledo Edison and CEI Sheets 114, 3rd Revised, Effective June 1, 2011

**Total Generation Rates (¢/kWh)**

	<u>2012 Rates before</u> <u>Stipulation ESP</u>	<u>2012 Rates with</u> <u>Stipulation ESP</u>
	(1)	(2)
<b>CSP</b>		
RS	5.77	6.60
GS1	8.47	5.89
GS2	8.29	6.00
GS3	5.92	5.62
GS4/IRP	4.45	5.13
<b>OP</b>		
RS	5.66	6.57
GS1	6.70	5.87
GS2	6.29	6.00
GS3	5.21	5.50
GS4/IRP	4.57	4.76

Source: Exhibit DMR-1      Exhibit DMR-1  
As Filed September 13, 2001

## AEP Ohio Stipulation Distribution Rate Comparison

### Total Distribution Rates (¢/kWh)

	2012	2012	Increase	%
	Distribution Rates before Stipulation	Distribution Rates with Stipulation		
	ESP	ESP	(3)=(2)-(1)	(4)=(3)/(1)
	(1)	(2)		
<b>CSP</b>				
RS	4.00	4.40	0.40	10.0%
GS1	3.63	3.98	0.35	9.8%
GS2	2.41	2.62	0.21	8.7%
GS3	1.59	1.72	0.12	7.8%
GS4/IRP	0.28	0.30	0.02	8.3%
<b>OP</b>				
RS	3.41	3.75	0.34	9.9%
GS1	4.04	4.46	0.42	10.3%
GS2	2.10	2.29	0.19	8.8%
GS3	1.49	1.60	0.12	7.8%
GS4/IRP	0.25	0.27	0.02	9.2%

Source: Exhibit DMR-1 Exhibit DMR-1  
As Filed September 13, 2001

### Distribution Increase as a Percentage of Total Rates (¢/kWh)

	2012 Total	Distribution	%
	Rates before Stipulation		
	ESP	Increase	Increase
	(1)	(2)	(3)=(2)/(1)
<b>CSP</b>			
RS	11.16	0.40	3.6%
GS1	13.29	0.35	2.7%
GS2	11.95	0.21	1.8%
GS3	8.48	0.12	1.5%
GS4/IRP	5.76	0.02	0.4%
<b>OP</b>			
RS	10.65	0.34	3.2%
GS1	12.20	0.42	3.4%
GS2	9.75	0.19	1.9%
GS3	7.97	0.12	1.5%
GS4/IRP	6.01	0.02	0.4%

Source: Exhibit DMR-1  
As Filed September 13, 2001

**AEP Ohio**  
**Comparison of Rate Change**  
**With and Without Market Transition Rider**

**Rates (¢/kWh)**

	Previous ESP and Stipulation ESP Rates excluding Market Transition Rider, Distribution Investment Rider and Load Factor Rider			Market Transition Rider (MTR)	Rate Change with MTR
	January 2011 Billed Rates (1)	January 2012 Rates (2)	Rate Change (3)=(2)-(1)		
<b>CSP</b>					
RS	11.05	11.65	0.60	(0.29)	0.30
GS1	12.86	10.45	(2.41)	2.34	(0.07)
GS2	11.74	9.39	(2.35)	1.58	(0.77)
GS3	8.20	8.02	(0.19)	0.53	0.34
GS4/IRP	5.36	6.32	0.96	(0.53)	0.43
<b>OP</b>					
RS	10.19	11.06	0.87	(0.06)	0.81
GS1	11.86	10.84	(1.02)	1.66	0.66
GS2	9.13	8.93	(0.19)	0.54	0.34
GS3	7.17	7.80	0.63	0.10	0.73
GS4/IRP	4.95	5.79	0.84	(0.24)	0.61

Source: WP DMR Page 64 WP DMR Page 64  
As Filed September 13, 2001

Exhibit DMR-1



## AEP Ohio Comparison of ESP As-Filed to Stipulation

Rates (¢/kWh)

	<b>Comparable As Filed Total Rates*</b>	<b>Stipulation Total Rates</b>	<b>Stipulation Reduction</b>	<b>Approximate Savings**</b>
2012 Rates	9.14	8.88	0.26	\$ 113,109,100
2013 Rates	9.42	9.07	0.35	\$ 152,282,250
2014 Rates***	9.48	9.28	0.20	\$ 87,007,000
January - May 2015 Rates	unknown	9.26		unknown
<b>Total</b>				<b>\$ 352,378,350</b>

## \*Adjustments to As Filed Rates for Consistency

	<b>As Filed Total Rates</b>	<b>Distribution Increase</b>	<b>Change in FAC</b>	<b>Comparable As Filed Total Rates</b>
2012 Rates with ESP	8.93	0.19	0.02	9.14
2013 Rates	9.17	0.23	0.02	9.42
January - May 2014 Rates	9.17	0.27	0.02	9.48

\*\* Assuming 43,503.5 GWh per year

\*\*\* Conservatively assumes no increase in As Filed ESP rates for June to December 2014

Sources: Exhibit DMR-1, Page 2, Filed January 27, 2011  
Exhibit DMR-1, Page 1 and 2, Filed September 13, 2011

## CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the Rebuttal Testimony of David M. Roush was served this 21<sup>st</sup> day of October, 2011 by electronic mail, upon the persons listed below.

//s/ Steven T. Nourse  
Steven T. Nourse

greta.see@puc.state.oh.us,  
"Tauber, Jonathan" <jonathan.tauber@puc.state.oh.us>,  
"Bair, Jodi" <Jodi.Bair@puc.state.oh.us>,  
"Bentine, John" <jbentine@cwslaw.com>,  
"Fortney, Bob" <Bob.Fortney@puc.state.oh.us>,  
"McCarter, Doris" <Doris.McCarter@puc.state.oh.us>,  
"Montgomery, Christopher" <cmontgomery@bricker.com>,  
"O'Donnell, Terrence" <todonnell@bricker.com>,  
"Reilly, Stephen" <Stephen.Reilly@puc.state.oh.us>,  
"Sineng, Philip" <Philip.Sineng@thompsonhine.com>,  
"Wright, Bill" <bill.wright@puc.state.oh.us>,  
aaragona@elmerstahl.com,  
ahaque@szd.com,  
Amy.Spiller@duke-energy.com,  
barthroyer@aol.com,  
callwein@williamsandmoser.com,  
cmiller@szd.com,  
cmooney2@columbus.rr.com,  
cvinca@sonnenschein.com,  
cynthia.brady@constellation.com,  
dakutik@jonesday.com,  
david.fein@constellation.com,  
dbarnowski@sonnenschein.com,  
dboehm@bkilawfirm.com,  
dclark1@aep.com,  
dconway@porterwright.com,  
dmeyer@kmlaw.com,  
doug.bonner@srdenton.com,  
drinebolt@aol.com,  
dstahl@elmerstahl.com,  
emma.hand@srdenton.com,  
etter@occ.state.oh.us,  
fdam@mwncmh.com,  
gary.a.jeffries@dom.com,  
gdunn@szd.com,  
gpoulos@enernoc.com,  
grady@occ.state.oh.us,  
greta.see@puc.state.oh.us,  
gthomas@gtpowergroup.com,  
gwgaber@jonesday.com,  
haydenm@firstenergycorp.com,  
henryeckhart@aol.com,  
holly@raysmithlaw.com,  
jeff.jones@puc.state.oh.us,  
jejadwin@aep.com,  
jesse.rodriguez@exeloncorp.com,

jestes@skadden.com,  
jiang@calfee.com,  
jmaskovyak@ohiopoverlylaw.org,  
john.jones@puc.state.oh.us,  
joliker@mwncmh.com,  
jroberts@enemroc.com,  
kbowman@mwncmh.com,  
keith.nusbaum@snrdenon.com,  
korenergy@insight.ir.com,  
kpkraider@kmklaw.com,  
laurac@chappelleconsulting.net,  
lmcaster@bricker.com,  
lmcbride@calfee.com,  
malina@wexlerwalker.com,  
mhpetricoff@vorys.com,  
mjsatterwhite@aep.com,  
mjsettner@vorys.com,  
mkurtz@bkilawfirm.com,  
msmalz@ohiopoverlylaw.org,  
mwarnock@bricker.com,  
myurick@cwslaw.com,  
ned.ford@fuse.net,  
nolan@theoec.org,  
paul.wight@skadden.com,  
pfox@hilliardohio.gov,  
rgannon@mwncmh.com,  
ricks@ohonet.org,  
rplawrence@aep.com,  
sandy.grace@exeloncorp.com,  
sfisk@nrdc.org,  
small@occ.oh.us,  
smhoward@vorys.com,  
stephen.chriss@wal-mart.com,  
stnourse@aep.com,  
talAlexander@calfee.com,  
Terrance.Mebane@thompsonhine.com>,  
Thomas.Lindgren <thomas.lindgren@puc.state.oh.us>,  
tobrien@Bricker.com,  
trent@theoec.org,  
tsantarelli@elpc.org,  
Werner.Margard@puc.state.oh.us,  
will@theoec.org,  
wmassey@cov.com,  
zkravitz@cwslaw.com,  
afretfeld@viridityenergy.com,  
aehaedte@jonesday.com,  
amvogel@aep.com,  
carolyn.flahive@thompsonhine.com,  
bingham@occ.state.oh.us,  
dorothy.corbett@duke-energy.com,  
jkooper@hess.com,  
BAKahn@vorys.com,  
lkalepsclark@vorys.com,  
kguerry@hess.com,  
swofe@viridityenergy.com,  
ssolberg@eimerstahl.com,  
camille@theoec.org,  
Daniel.Shields@puc.state.oh.us,  
dsullivan@nrdc.org,  
joseph.dominguez@exeloncorp.com,  
Tammy.Turkenton@puc.state.oh.us,  
mailamee@occ.state.oh.us,

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**

INDEX TO REBUTTAL TESTIMONY OF  
LAURA J. THOMAS

Page No.

1.	Personal Data.....	1
2.	Purpose of Testimony.....	1
3.	Impact of Fuel Changes on MRO Price Test.....	2
4.	First Energy Auction Prices are Not Applicable .....	5
5.	Auction Year MRO Price Test.....	10
6.	MRO Price Test by Operating Company.....	14

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

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 (Exhibit LJT-3) which did not include  
11 forecasted changes in either environmental or fuel costs. As shown in Exhibit LJT-  
12 R1, fuel would have to average more than \$40/MWh during the period January 2012  
13 – 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

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

1 days used to determine the Simple Swap component of the Company's Competitive  
 2 Benchmark price. This price movement over time is one of the many reasons why the  
 3 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		\$41.91		
7/8/11		\$42.56		
7/11/11		\$43.22		
7/12/11		\$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

4  
 5 Because data is readily available on a calendar year basis, prices for delivery in 2011-  
 6 2013 and for 2012-2014 are averaged, resulting in price movements of \$0.30/MWh  
 7 between the two FE auction dates and \$2.31/MWh between the January FE auction  
 8 and the time period used for Simple Swap data in this proceeding, respectively.

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

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

15 1. Basis Adjustment – FE and AEP Ohio are in different zones within PJM and  
 16 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.**

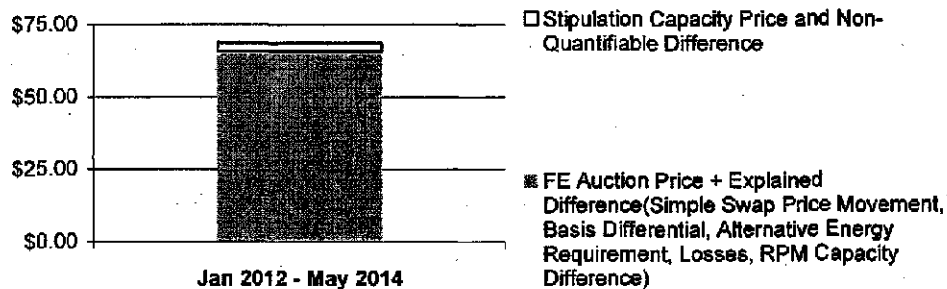
22 **A.** The FE auction price used by IEU witness Murray as a proxy for the market price is  
23 \$57.47/MWh for January 2012 – May 2014. The Company's weighted average

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

**Table 3**

Item	Jan 2013 -		Wtd Avg	Source
	2012	May 2014		
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 LJT-2, Line 8
Difference			\$2.92	

**Breakdown of AEP Ohio Expected Bid Price**



9

10 **AUCTION YEAR MRO PRICE TEST**

11 **Q. WHAT POSITION DOES IEU WITNESS MURRAY TAKE REGARDING**  
 12 **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 EXHIBIT LJT-3, THE REVISED MRO PRICE**  
22 **TEST PROVIDED ON OCTOBER 5, 2011?**

1 A. Yes. For convenience, attached as Exhibit LJT-R3, is the operating company detail  
2 of Exhibit LJT-3 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  
Market Rate Option Price Test  
Maximum Fuel Rate Using Zero POLR and M. Schnitzer Average Environmental**

	2012	Jan 2013 - May 2014	Jun 2014 - May 2015	Wtd Average (4) = weighted (1), (2) and (3)
<u>Generation Service Price</u>	(1)	(2)	(3)	(2) and (3)
1 2011 Base ESP 'g' Rate	24.05	23.97	23.97	23.99
2 2011 Fuel	33.01	33.00	33.00	33.00
3 Average Incremental Fuel	7.25	7.25	7.25	7.25
4 Incremental Environmental (a)	0.25	2.28	4.33	2.28
5 <u>Total Generation Service Price</u>	<u>64.56</u>	<u>66.50</u>	<u>68.55</u>	<u>66.52</u>
 <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 <u>Expected Bid Price</u>	<u>67.72</u>	<u>69.23</u>	<u>76.76</u>	<u>70.98</u>
 <u>MRO Pricing</u>				
11 Generation Service Price	64.56	66.50	68.55	66.52
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 <u>MRO Annual Price</u>	<u>64.88</u>	<u>67.12</u>	<u>71.34</u>	<u>67.69</u>
 <u>MRO - ESP Price Comparison</u>				
16 MRO Annual Price	64.88	67.12	71.34	67.69
17 Stipulation ESP Price (b)	59.71	61.34	62.34	61.15
18 <u>Average Incremental Fuel</u>	<u>7.25</u>	<u>7.25</u>	<u>7.25</u>	<u>7.25</u>
19 <u>Adjusted Stipulation ESP Price</u>	<u>66.96</u>	<u>68.59</u>	<u>69.59</u>	<u>68.40</u>
20 ESP Price Benefit (c,d)	(2.08)	(1.47)	1.75	(0.71)
Average Incremental Fuel				7.25
Average 2011 Full Cost Fuel				<u>33.00</u>
<b>Maximum Fuel Rate that Achieves Same MRO Price Test Result as Determined in Exhibit LJT-3</b>				<u><b>40.25</b></u>

- (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 Exhibit LJT-3, 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	23.99
2	2011 Full Fuel	33.00
3	<b>Total Generation Service Price</b>	<b>56.99</b>

Expected Bid Price

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

MRO Pricing

9	Generation Service Price	56.99
10	Generation Service Weight	0%
11	Expected Bid Price	AP
12	Expected Bid Weight	100%
13	<b>MRO Annual Price</b>	<b>AP</b>

MRO - ESP Price Comparison

14	MRO Annual Price	AP
15	Stipulation ESP Price	AP
16	<b>ESP Price Benefit*</b>	<b>0.00</b>

\* 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 (1)	Comments (2)
<u>Generation Service Price</u>			
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 Purchased Power Cost = CBP or Auction Price
2	2011 Full Fuel	0.00	
3	Purchased Power	AP	
4	<b>Total Generation Service Price</b>	<b>AP</b>	
<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	<b>Expected Bid Price</b>	<b>AP</b>	
<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	<b>MRO Annual Price</b>	<b>AP</b>	
<u>MRO - ESP Price Comparison</u>			
15	MRO Annual Price	AP	
16	Stipulation ESP Price	AP	
17	<b>ESP Price Benefit*</b>	<b>0.00</b>	

\* 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

	CSP 2012	OPCo 2012	2012	CSP Jan 2013 - May 2014	OPCo Jan 2013 - May 2014	Jan 2013 - May 2014	CSP Jun 2014 - May 2015	OPCo Jun 2014 - May 2015	Jun 2014 - May 2015	CSP Wtd Average	OPCo Wtd Average	Wtd Average (4) = weighted (1), (2) and (3)	
<u>Generation Service Price</u>			(1)	(2)			(3)						
1	2011 Base ESP 'g' Rate	23.56	24.38	24.05	23.49	24.28	23.97	23.53	24.26	23.97	23.52	24.31	23.99
2	2011 Full Fuel*	38.43	30.71	33.01	38.43	30.71	33.00	38.43	30.71	33.00	38.43	30.71	33.00
3	Total Generation Service Price	59.99	55.09	57.06	59.92	54.99	56.97	59.96	54.97	56.97	59.95	55.02	56.99
<u>Expected Bid Price</u>													
4	Competitive Benchmark - Capacity Cost	72.10	69.47	70.53	76.23	73.60	74.66	81.52	78.74	79.85	76.55	73.88	74.95
5	Shopping Benchmark Weight	79%	79%	79%	66%	66%	66%	59%	59%	59%			
6	Competitive Benchmark - RPM	57.85	58.71	57.16	59.16	68.35	58.88	73.47	71.54	72.32	62.94	61.71	62.21
7	Shopping Benchmark Weight	21%	21%	21%	34%	34%	34%	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
<u>MRO Pricing</u>													
9	Generation Service Price	59.99	55.09	57.06	59.92	54.99	56.97	59.96	54.97	56.97	59.95	55.02	56.99
10	Generation Service Weight	80%	90%	90%	77%	77%	77%	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	72.31	70.09	70.98
12	Expected Bid Weight	10%	10%	10%	23%	23%	23%	34%	34%	34%			
13	MRO Annual Price	60.90	58.28	58.13	62.34	58.08	59.79	66.17	62.05	63.70	63.03	58.70	60.44
<u>MRO - ESP Price Comparison</u>													
14	MRO Annual Price	60.90	58.28	58.13	62.34	58.08	59.79	66.17	62.05	63.70	63.03	58.70	60.44
15	Stipulation ESP Price	61.74	58.35	59.71	63.57	59.85	61.34	64.70	60.78	62.34	63.36	59.67	61.15
16	ESP Price Benefit**	(0.84)	(2.09)	(1.58)	(1.23)	(1.77)	(1.55)	1.47	1.29	1.36	(0.33)	(0.97)	(0.71)

\* 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