

## RPM SET-ASIDE ALLOTMENT RULES DETAILED IMPLEMENTATION PLAN

### 1) DEFINITIONS

- a) **Annual Customer Usage** means the level of megawatt-hours (MWh) assigned to a customer based on its actual usage during the most recent 12-month billing period ending June 30 of the prior year. Should the 12-month period not encompass 365 days, the 12-month usage will be normalized to a 365 day basis. For example, the customer usage for determination of the 2013 allotments will be based on usage for the billing periods ending July 1, 2011 through June 30, 2012, and should those billing periods encompass 368 days the 12-month usage will be adjusted by a factor of 365/368. The Annual Customer Usage to be used for 2012 will be the most recent 12-month billing period ending September 15, 2011.
- b) **Cap** means the level of MWh equal to 21%, 29%<sup>1</sup> and 41% in Jan-Dec 2012, Jan-Dec 2013, Jan 2014 – May 2015 of annual weather-adjusted retail sales, respectively from the 12-month period ending June 30 of the prior year. For purposes of the Jan-Dec 2012 Cap, annual retail sales is based on AEP Ohio's annual average kWh based on the 24 months ended July 31, 2011 (47,023,697,140 kWh).
- c) **Customer** means the building or facility assigned a unique Service Delivery Identifier (SDI) and does not mean the person, premise, corporation, partnership, association, governmental body, or other entity owning or having possession of the building or facilities.
- d) **RPM Set-Aside** means the combined level of MWh equal to the sum of (a) the Annual Customer Usage of the customers taking service from a competitive retail electric service (CRES) provider and (b) the awarded allotments not yet being served by a CRES. The level of RPM Set-Aside shall not be adjusted for weather. The level of RPM Set-Aside shall be updated each time the Cap is updated. No retail customer served by a CRES provider shall lose its RPM Set-Aside as a result of the annual cap update.
- e) **Enrollment Queue or Queue** means the ranking system established when the level of the RPM Set-Aside is greater than the Cap or would exceed the Cap if an allotment were awarded. AEP Ohio shall maintain records so that it can accurately identify a customer's position within the queue.

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<sup>1</sup> Per the stipulation, if securitization is completed prior to December 31, 2013, this value will increase to 31% at that time.

- f) **Facility or Customer Facility** shall be defined as a building or dwelling served through a single existing electric billing meter at a single site and does not mean the person, corporation, partnership, association, governmental body, or other entity owning or having possession of the building or dwelling. In the event a customer has multiple meters that are billed as a single entity, all meters will be considered a part of the Facility or Customer Facility.
- g) **First-Come First-Served Basis** means the date and time when 1) a CRES provider submits an Affidavit to AEP Ohio regarding the existence of a validly executed contract, 2) an EDI message is received by AEP Ohio for a valid transaction to begin open access service or 3) a Customer provided a 90-day notice (per the Companies' tariffs) to AEP Ohio, without preference or bias. If the Company receives more than one of these for a specific Customer, the earliest date and time will apply.
- h) **Group One Customer.** A Group One Customer shall be identified as a customer who has been continuously taking service through a CRES since July 1, 2011. A Group One Customer is allowed to increase its usage above the Cap for both existing and any expanded load at that facility. A Group One Customer that discontinues retail access service and returns to standard service offer (SSO) service will lose its Group One status. The awarded allotments of a Group One Customer shall be included in the calculation of RPM Set-Aside.
- i) **Group Two Customer.** A Group Two Customer shall be any customer who began taking continuous service from a CRES between July 1, 2011 and September 7, 2011. Group Two Customer status is limited to existing load through meters served continuously by a CRES since September 7, 2011. A Group Two Customer that discontinues retail access service and returns to SSO service will lose its Group Two status. The awarded allotments of a Group Two Customer shall be included in the calculation of RPM Set-Aside.
- j) **Group Three Customer.** A Group Three Customer is a customer seeking to expand usage at a facility served through a CRES where expand means to connect new load exceeding 10% of the customer's contract peak demand and no less than 1,000 kW through an existing meter. The awarded allotments of a Group Three Customer shall be included in the calculation of RPM Set-Aside.
- k) **Group Four Customer.** A Group Four Customer shall be any customer who provided a 90-day notice (per the Companies' tariffs) to AEP Ohio, prior to September 7, 2011, of their intent to take service from a CRES

consistent with the relevant tariff provision and who is not classified as a Group One, Two, or Three Customer. A Group Four Customer that discontinues retail access service and returns to standard service offer (SSO) service will lose its Group Four status. The awarded allotments of a Group Four Customer shall be included in the calculation of RPM Set-Aside.

- l) **Group Five Customer.** A Group Five Customer shall be any customer who contracted for or began taking retail open access service or provided a 90-day notice (per the Companies' tariffs) to AEP Ohio after September 7, 2011 and who is not classified as a Group One, Two, Three or Four Customer. A Group Five Customer that discontinues retail access service and returns to standard service offer (SSO) service will lose its Group Five status. The awarded allotments of a Group Five Customer shall be included in the calculation of RPM Set-Aside.
- m) **Affidavit.** An Affidavit affirms that a validly executed contract for the generation portion of electric supply exists between a CRES provider and a customer. Affidavits shall be submitted to the Company by way of electronic submission as provided for on the Customer Choice section of AEP Ohio's website. ([www.aepohio.com](http://www.aepohio.com))
- n) **Allotment** means an award of RPM-priced capacity and shall be based on the Annual Customer Usage.

## 2) ORDER OF PRIORITY FOR RPM SET-ASIDE

- a) AEP Ohio shall assign energy allotments to its Group One and Group Two customers on a first-come, first-serve basis. If the Group One and Two allotments exceed the Cap, no additional allotments will be awarded to Group Three, Four and Five customers.
- b) AEP Ohio shall assign energy allotments to its Group Three customers on a first-come, first-serve basis. If the Group Three allotments exceed the Cap, no additional allotments will be awarded to Group Four and Five customers.
- c) AEP Ohio shall assign energy allotments to its Group Four customers on a first-come, first-serve basis such that the energy allotment does not exceed the Cap. If the Group Four allotments equal or exceed the Cap, no additional allotments will be awarded to Group Five Customers.
- d) AEP Ohio shall assign energy allotments to its Group Five customers on a first-come, first-serve basis pursuant to the guidelines of the Securing an RPM Set-Aside section of this document.

- e) AEP Ohio shall establish a fully operational web-based Cap-Tracking System pursuant to the guidelines of the Cap-Tracking System section of this document.

### 3) DETERMINATION OF THE CAP

- a) AEP Ohio shall calculate the Cap based on the weather-adjusted retail sales of the preceding 12-month period ending June 30. The initial Cap shall take effect on the first business day of January 2012 and is not subject to challenge. The Cap shall be updated on the utility's Cap-Tracking System on the first business day of January each year. The Cap shall also be updated on the first business day following a Cap determination by the Commission.
- b) The Cap shall be submitted to the Commission through a filing by September 30 of the preceding year in this same docket.
- c) Monthly weather adjustments to kWh sales for the Columbus Southern Company (CSP) and Ohio Power Company (OPCo) regions of AEP Ohio are computed by multiplying differences between cooling and heating degree days from their normal levels by corresponding kWh per degree day values, adding these two sums together, and multiplying the resulting sum by the corresponding number of customers for the month of interest. This exercise is done independently for the residential and commercial class. The general equation for a particular customer class, as stated above, takes the form:

$$\text{Weather Impact}_t = [\beta_{\text{CDD}} \times (\text{CDD}_t - \text{NCDD}_t) + \beta_{\text{HDD}} \times (\text{HDD}_t - \text{NHDD}_t)] \times \text{Customers}_t.$$

$\beta_{\text{CDD}}$  and  $\beta_{\text{HDD}}$  are the kWh per degree day values which are parameter estimates from the regression model for that particular customer class. The regression model is used to produce the company's monthly short-term forecast of energy sales for that class.  $\text{CDD}_t$  and  $\text{NCDD}_t$  are the actual and normal cooling degree days for month  $t$ .  $\text{HDD}_t$  and  $\text{NHDD}_t$  are the actual and normal heating degree days for month  $t$ .  $\text{Customers}_t$  is the actual customer count for month  $t$  for the corresponding customer class.

The regression models are estimated using monthly billing-cycle weighted cooling and heating degree days, monthly average number of days billed, any binary variables as needed, as well as any ARMA error structure deemed necessary to predict monthly kWh per customer values for each class of customers.

The monthly billing-cycle weighted degree days are computed using daily average temperatures measured from two different weather stations for CSP: Columbus, OH and Huntington, WV and three different weather stations for OPCo: Lima, OH, Canton, OH, and Huntington, WV. The degree days from each station are summed to an aggregate for each company using weights constructed from regional weather-sensitive kWh sales. Then, each month's daily degree day value is summed using a simple "triangular" weighting scheme whereby the days of each month and its previous month are given weights that increase linearly throughout the previous month's days and then decrease linearly over the current month's days. These particular weights imply that equal shares of customers are billed in each billing cycle and that the last day of the previous month and the first day of the current month are included in the largest number of customers' bills. The corresponding normal values are computed by taking average daily temperatures of the previous 30 year period and adjusting them for billing cycles in the same manner.

#### **4) SECURING AN RPM SET-ASIDE**

- a) The RPM-priced capacity shall be allocated on a pro rata basis among the residential, commercial, and industrial classes. The initial allotment of RPM-priced capacity for 2012 shall be based upon the projected kWh consumption of for each of these classes. If the allotment to any customer class as of September 7, 2011 exceeds 21%, then the allocation to the remaining classes shall be reduced on a pro rata basis such that the total allotment does not exceed 21%. The annual class specific allotments for 2013, 2014 and the first five months of 2015 shall be based upon the weather-adjusted retail sales of the preceding 12-month period ending June 30.
- b) Allotments shall be based on the customer's Annual Customer Usage.
- c) If the customer does not have 12-months of annual usage, its annual energy allotment shall be estimated by AEP Ohio based on the class and rate using information of similar customer types from the utility's standard tariff service. For customers (SDIs) with less than 12 months of usage data, the annual usage calculation will be performed as follows:
  - i) Assign each customer to a category based upon rate class and revenue class, with separate categories for electric heat and non-electric heat, as follows:
    - Residential
    - General Service Non-demand Small Commercial
    - General Service Non-demand Small Industrial

- General Service Demand Medium (<1000 kW) Commercial
  - General Service Demand Medium (<1000 kW) Industrial
  - General Service Large (> 1000 kW) Commercial
  - General Service Large (> 1000 kW) Industrial
  - Lighting
  - School Service (OPCo Only) (Will not use this designation after 2011)
  - Electric Heat General (OPCo Only) (Will not use this designation after 2011)
- ii) Compute monthly energy for all customers with 12 months of usage in each category, and calculate average customer monthly energy.
- iii) Estimate missing monthly energy for each customer with less than 12 months of usage with the following algorithm:
- Monthly\_energy\_estimate = customer\_scale\_factor x category\_monthly\_energy, where customer\_scale\_factor = customer energy for available months divided by category energy for those same months.
- iv) Add the estimated monthly energy to the actual monthly energy to get the annual energy.
- v) For example, a residential non-electric heat SDI which started taking service in November 2010 and which therefore has usage for 11 months (Nov 2010 - Sep 2011), and for which the available 11 month usage = 15000 kWh. Assume the calculation of the sum of the category monthly energies for all residential non-electric heat customers yielded 11000 kWh for Nov 2010 - Sept 2011 and assume the calculation of October energy for all residential non-electric heat customers yielded 1000 kWh

Estimate October 2010 usage by the following:

Customer\_scale\_factor= 15000 / 11000; Monthly\_energy\_estimate = 15000 / 11000 \* 1000 = 1364 kWh; Annual\_energy = 15000 + 1364 = 16364 kWh.

Note: all calculations rounded to the integer level.

- d) AEP Ohio shall award and allocate allotments on a first-come, first-served basis after the allocation of energy allotments to its Group One, Two, Three and Four customers are complete and if there is space available below the Cap (subject to the additional conditions related to

communities that approved a governmental aggregation program in the November 8, 2011, election described in paragraph 4.g). The utility shall award and allocate allotments on a first-come first-served basis as measured by the date and time when 1) a CRES provider submits an Affidavit to AEP Ohio regarding the existence of a validly executed contract 2) an EDI message is received by AEP Ohio for a valid transaction to begin open access service or 3) a customer provided a 90 day notice to AEP Ohio.

- e) If an allotment is awarded, AEP Ohio shall notify the CRES and Customer (for customers that have provided a 90-day notice) within two business days.
- i) An allotment shall be awarded if the entire amount of the expected usage falls below the Cap.
- ii) An allotment shall be awarded based on a customer's status in the enrollment queue in situations where the level of RPM Set-Aside was above the Cap and subsequently falls below the Cap.
  - (1) An allotment shall be awarded to the first customer in the enrollment queue if its entire annual energy allotment falls below the Cap.
  - (2) If the annual energy allotment of the first customer in the enrollment queue exceeds the Cap then AEP Ohio shall not award additional allotments until such time that the first customer in the queue is provided the opportunity to accept its allotment.
- f) If space below the Cap becomes available, AEP Ohio shall notify the CRES and Customer (for customers that have provided a 90-day notice) by e-mail within two business days. The CRES or Customer shall then have two business days to notify AEP Ohio by e-mail that the customer desires to accept its allotment. If the CRES or Customer does not notify AEP Ohio within the two days of acceptance of the allotment, then the allotment will be offered to the next customer in the queue.
- g) AEP Ohio shall award allotments from within the enrollment queue until the available energy allotments are exhausted or the queue is empty. To accommodate the load of any community that approved a governmental aggregation program in the November 8, 2011, election, any non-mercantile<sup>2</sup> customer located in those governmental

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<sup>2</sup> Non-mercantile customer means any customer that is not a mercantile customer, including residential customers. Opt-out aggregation is permitted for customers that are not mercantile customers, per R.C. 4928.20(B), after passage of a ballot initiative by a majority of voters. As defined in R.C. 4928.01(A)(19), "Mercantile customer" means a commercial or industrial customer if the electricity consumed is for

aggregation communities and choosing to participate in the governmental aggregation program will qualify for the RPM set-aside in 2012 and each year of the stipulated ESP even if all available energy allotments have been exhausted, so long as the community or its CRES provider completes the necessary process to take service in the AEP Ohio service territory by December 31, 2012. All allotments awarded to customers under these governmental aggregation programs shall be included in the calculation of awarded allotments for purposes of determining whether additional allotments are available under the Cap. A list of these communities is provided in Attachment 1.

- h) If an allotment is not awarded then it shall be deferred, and AEP Ohio shall notify the CRES of the deferral within two business days. If the deferral is based on Cap exceedance, the deferral notification shall provide notification of Cap exceedance and provide the CRES with the customer's position within the queue in terms of the number of customers and MWh ahead of that customer within the queue.
- i) An allotment shall be deferred if the level of RPM Set-Aside is greater than the Cap or if the annual energy allotment would create a situation where the level of RPM Set-Aside would be greater than the Cap if the allotment were to be awarded.
  - (1) A Group One Customer shall be awarded additional energy allotments even if the level of RPM Set-Aside exceeds the Cap.
  - (2) A Group Two Customer may be awarded additional energy allotments even if the level of RPM Set-Aside exceeds the Cap.
  - (3) A non-mercantile Customer in a community that approved a governmental aggregation program in the November 8, 2011, election shall be awarded additional energy allotments even if the level of RPM Set-Aside exceeds the Cap so long as the community or its CRES provider completes the necessary process to take service in the AEP Ohio service territory by December 31, 2012.
- ii) A deferred enrollment shall be placed into the enrollment queue and shall remain in queue unless withdrawn by the CRES or the customer in writing or electronic mail.

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nonresidential use and the customer consumes more than seven hundred thousand kilowatt hours per year or is part of a national account involving multiple facilities in one or more states.



## 5) CAP-TRACKING SYSTEM (“CTS”)

- a) The CTS shall be web-based and publicly available on the Customer Choice section of AEP Ohio’s website. ([www.aepohio.com](http://www.aepohio.com))
- b) AEP Ohio shall publish information concerning energy allotments on its website. At a minimum, the information contained on this website shall include:
  - i) The Cap and the allocation to each of the customer classes.
  - ii) Current level of RPM Set-Aside expressed in MWh and as a percentage of the Cap. Note: AEP Ohio shall specify the level of MWh of usage for the previous calendar year of the customers taking service from a CRES and the amount of awarded allotments not yet being served by a CRES.
  - iii) The amount of available energy allotments expressed in MWh and as a percentage of the Cap.
  - iv) The number of MWh in queue.
  - v) The date of the most recent update to the information contained on the web page.
  - vi) A contact name and direct phone number of a utility representative able to assist with questions about the contents of the website as well as a monitored e-mail account. An individual customer or its CRES may contact AEP Ohio and receive a report indicating its individual status in the queue.
- c) AEP Ohio shall update the information contained on the website on a weekly basis when the amount of actual energy allotments is less than or equal to 90% of the Cap.
- d) AEP Ohio shall update the information contained on the website on a daily basis when the amount of actual energy allotments is greater than 90% of the Cap but less than 101% of the Cap.
- e) AEP Ohio shall update the information contained on the website on a monthly basis when the amount of actual energy allotments is greater than or equal to 101% of Cap.
- f) The CTS shall be fully operational within 60 calendar days of the issuance of this order (February 12, 2012).

## **6) AUDIT PROCESSES**

- a) The Company's Audit Services Department will complete an internal audit of the 2012 RPM Set-Aside within 90 days of the issuance of this order, but no earlier than April 1, 2012. Internal audits of the 2013, 2014, and 2015 RPM Set-Aside will be completed by November 30 of the preceding year.
- b) The Company's Audit Services Department will conduct each RPM Set-Aside audit to verify the following items were determined in accordance with requirements outlined in sections 2, 3, and 4 of this RPM Set-Aside Allotment Rules Detailed Implementation Plan:
  - (a) The Cap;
  - (b) RPM Set-Aside Allotment Awards through 90 days prior to the audit completion date; and,
  - (c) Enrollment Queue ranking as of 90 days prior to the audit completion date.
- c) The results of the audits will be provided to the Commission Staff.

## **7) DISPUTE RESOLUTION**

In the case of any disputes, the disputing parties will seek to resolve any matters in dispute in good faith. If good faith discussions do not lead to resolution of the disputed matter(s) the parties will seek an alternative solution in conjunction with Commission Staff prior to the filing of a complaint with the Commission.

**Attachment 1**  
**Communities Passing Governmental Aggregation Initiatives  
in the November 8, 2011 Election**

Allen County Unincorporated Areas  
Buck Township, Hardin County  
Canton, Stark County  
Cessna Township, Hardin County  
City of Belpre, Washington County  
City of Delphos, Van Wert County  
East Liverpool, Columbiana County  
City of Findlay, Hancock County  
Fremont, Sandusky County  
Goshen Township, Hardin County  
Hale Township, Columbiana County  
City of Kenton, Hardin County  
Liverpool Township, Columbiana County  
Lynn Township, Hardin County  
Madison County Unincorporated Area  
Madison Township, Columbiana County  
Mount Vernon  
Paris Township, Stark County  
Perry Township, Muskingum County  
Plain Township, Stark County  
St Clair Township, Stark County  
St Clair Township, Columbiana County  
City of Toronto, Jefferson County  
Van Wert  
Village of Albany  
Village of Cairo  
Village of Convoy  
Village of East Canton  
Village of Fort Shawnee  
Village of Harrod  
Village of Lafayette  
Village of McConnelsville  
Village of Middle Point  
Village of Spencerville  
Village of Sunbury  
Village of Wellsville  
Washington Township, Columbiana County  
West Township, Columbiana County  
Yellow Creek Township, Columbiana County

Falls Township, Hocking County  
Harrison Township, Van Wert County  
Jackson Township, Van Wert County  
Jennings Township, Van Wert County  
Liberty Township, Van Wert County  
Moulton Township, Auglaize County  
Pleasant Township, Marion County  
Pleasant Township, Van Wert County  
Ridge Township, Van Wert County  
Union Township, Van Wert County  
Washington Township, Van Wert County  
York Township, Van Wert County  
Village of Dupont, Putnam County

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Summary: Tariff 2 of 3 - electronically filed by Mr. Steven T Nourse on behalf of Ohio Power Company and Columbus Southern Power Company