

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of **Ohio** :
Power Company for Authority to Issue : Case No. **12-1969-EL-ATS**
Phase-in-Recovery Bonds and Impose, :
Charge and Collect Phase-in-Recovery :
Charges for Tariff and Bill Format Changes. :

**COMMENTS AND RECOMMENDATIONS
SUBMITTED ON BEHALF OF THE STAFF OF
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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I. INTRODUCTION

The Staff's role in this case is to provide the Commission and other interested parties with pertinent information sufficient to permit an appropriate determination in this case.

In this report, the Staff summarizes the results of the review that the following three Divisions have performed.

- The Capital Recovery and Financial Analysis (CRFA) Division primarily reviewed the Estimated Up-front and Ongoing Financing Costs, Expected Use of Proceeds and the Transaction Structure and Expected Principal Repayment Schedule.
- The Accounting and Electricity (A&E) Division primarily reviewed the Estimated Deferral Balances Subject to Securitization, Estimated Comparison of Existing Rate Making and Securitization and the True-Up of Phase-In-Recovery Charges Rider.
- The Rates and Tariffs/Energy and Water (RT-EW) Division primarily reviewed the Rider PIR Reconciliation Mechanism and Rate Design Process, the Estimated Monthly Typical Bill Impacts, Proposed Tariffs Sheets for Rider PIR - Phase-In Recovery Rider.

- In addition, the Service Monitoring and Enforcement Department reviewed the Bill Format and Bill Message Content.
- The assumptions and conclusions of this report should not be misconstrued as binding upon or limiting the scope of Commission consideration.

II. BACKGROUND

A. Ohio Utility Securitization Law

House Bill 364 (the Act), introduced in November 2011, was unanimously passed by the Ohio House of Representatives and the Ohio Senate in early December 2011. The bill became law in March 2012.

Under the Act, electric utilities may use bonds to securitize certain costs which have been previously approved by the Public Utilities Commission of Ohio (PUCO). Utilities may securitize only certain types of costs called deferred assets. These assets include fuel costs, infrastructure costs, and environmental clean-up expenses that the PUCO has allowed a utility to defer and collect from customers at a later date.

Prior to proceeding with bond securitization, the utilities are required to apply before the PUCO for a financing order (Financing Order).

There is a defined, deliberate process where interested parties can weigh in order for a securitization application to move forward and be approved.

The PUCO has 135 days to approve, modify, suspend, or reject a utility's application.

B. Description of Proposed Transaction

By Commission Order dated December 14, 2011, OPCo and Columbus Southern Power Company (“CSP”) prior to its merger with OPCo on December 31, 2011) was authorized to implement a new rider, the Deferred Asset Recovery Rider (“DARR”), to collect certain distribution costs deferred as regulatory assets pursuant to Commission authorization in various prior proceedings. *In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company, Individually and, if Their Proposed Merger is Approved, as a Merged Company (collectively AEP Ohio for an Increase in Electric Distribution Rates, Case Nos. 11-351-EL-AIR, 11-352-EL-AIR* (the “Distribution Rate Case”). The Opinion and Order was issued in a proceeding commenced under Section 4909.18, Revised Code.

The distribution regulatory assets being recovered through the DARR are comprised of the following costs or charges (the “Phase-In Costs”):

- Consumer education, customer choice implementation, and transition plan filing costs plus carrying charges, approved in Case Nos. 99-1729-EL-ETP and 99-1730-EL-ETP;
- Rate Stabilization Plan rate case expenses plus carrying charges, approved in Case No. 04-169-EL-UNC;
- Carrying charges on distribution line extension charges, approved in Case No. 01-2708-EL-COI;
- Monongahela Power Company transfer integration costs plus carrying charges and acquired net regulatory assets, approved in Case No. 05-765-EL-UNC;

- AEP Ohio's voluntary Ohio Green Power Pricing Program costs plus carrying charges, approved in Case No. 06-1153-EL-UNC; and
- Storm costs related to the Hurricane Ike windstorm experienced in September 2008 plus debt carrying costs, approved in Case No. 08-1301-EL-AAM.

On July 2, 2012, OPCo filed a Notice of Intent to file an application seeking a Financing Order from the Commission to securitize OPCo's existing DARR authorized by the Commission in the Distribution Rate Case.

On July 31, 2012, Ohio Power Company (OPCo), pursuant to Section 4928.231, Revised Code, filed an application (Application) for authority to recover these certain specified phase-in and financing costs through the issuance of bonds up to an aggregate amount of \$320 million payable from the collection of phase-in recovery charges (PIR Charges), and to impose and collect such phase-in recovery charges consistent with Sections 4928.23 through 4928.2318, Revised Code.

Specifically, the Company notes that, in accordance with Section 4928.02, Revised Code, electric distribution utilities may securitize certain costs previously authorized to be securitized or deferred as regulatory assets through the issuance of Phase-In-Recovery Bonds (PIR Bonds) pursuant to a Financing Order issued by the Commission. Securitization is authorized provided the Commission finds, consistent with market conditions, that it measurably enhances cost savings to customers and mitigates rate impacts to customers as compared with the Commission's previously-approved recovery methods. These benefits to customers are reflected in a reduction in the expected amount payable

by the customers on both a nominal and a net present value basis as compared with existing recovery mechanisms.

The Company contends that the proposed securitization will benefit customers by providing both cost savings and rate mitigation through reducing the overall cost of these regulatory assets and the rates customers currently are paying toward their recovery. The Company also contends that the securitization transaction is expected to significantly reduce the carrying charges over the recovery period for the phase-in costs resulting in customer savings through the issuance of phase-in recovery bonds.

The PIR Bonds will constitute “Bonds” within the meaning of Section 4928.23(C), Revised Code. The proposed issuance of PIR Bonds will benefit customers by providing both cost savings and rate impact mitigation through reducing the overall cost of these regulatory assets and by reducing the rates customers currently are paying toward their recovery through the existing DARR.

OPCo intends to use the proceeds from the issuance and sale of PIR Bonds to redeem, retire, repay or defease a portion of its existing long-term debt.

For purposes of estimating the benefits from securitization, OPCo has estimated a \$291.5 million deferral balance of Phase-In Costs collectable through the DARR at the assumed date of the issuance (January 15, 2013) and estimated \$16 million of upfront Financing Costs (Upfront Financing Costs), for an approximate issuance amount of \$307.5 million. Based upon the proposed recovery period of seven years, OPCo estimates that the costs savings to customers on a nominal basis and on net-present value

basis would be about \$11.8 million and \$20.4 million, respectively, based on current interest rates and market conditions.

The proposed securitization is expected to mitigate rate impacts to OPCo's customers by flowing the cost savings through to customers in a manner that yields lower associated rates compared to the cost recovery method previously approved by the Commission, i.e., the DARR which provides for a carrying charge of 5.34% and consumers will benefit on a net present value basis so long as the expected weighted average interest rate of the PIR Bonds does not exceed 3.23%, and does not exceed 2.32%, on a nominal value basis as shown in Exhibit C to the Application.

The Company requests that the Commission:

- 1) Approve OPCo's proposed securitization and, pursuant to the Act issue a Financing Order, granting any and all authorizations and approvals that may be required under the Act, for the consummation of the securitization transaction and related matters (all as described in this Application), including, without limitation.
 - (a) the recovery of Phase-In Costs and upfront Financing Costs, through the issuance of up to an aggregate amount of \$320 million of PIR Bonds payable from collections from PIR Charges, and the execution, delivery and performance of all documentation necessary to consummate the securitization transaction,
 - (b) the imposition, charging, and collection of PIR Charges,
 - (c) the creation of the Phase-In-Recovery Property (PIR Property) (such creation to be simultaneous with the sale of such PIR Property to the SPE and the issuance of the PIR Bonds),

- (d) the establishment of an adjustment mechanism as described herein to be applied from time to time to adjust the PIR Charges to ensure the timely payment of PIR Bonds and all ongoing Financing Costs,
 - (e) the calculation and allocation of the PIR Charges among customer classes,
 - (f) the maximum term of the PIR Bonds,
 - (g) the organization and capitalization of the SPE to which PIR Property will be sold,
 - (h) the servicing of PIR Charges by OPCo as initial servicer or any successor servicer under the servicing agreement,
 - (i) flexibility in establishing the terms and conditions for the PIR Bonds to accommodate changes in market conditions,
 - (j) the ability to issue PIR Bonds and to effect correlated assignments, sales, pledges, and other transfers of PIR Property;
 - (k) approval of the Final Tariff Sheet and associated adjustment mechanism,
 - (l) approval of the proposed bill message, and
 - (m) all of the determinations and descriptions required by Section 928.232, Revised Code.
- 2) Find that the proposed securitization, consistent with market conditions, measurably provides cost savings to customers and mitigates rate impacts to customers as compared to the existing cost recovery method for the Deferred Balance Amount;
 - 3) Require that OPCo file with the Commission, no later than the end of the second business day after the pricing date for a series of PIR Bonds, an Issuance Advice Letter (in the form attached as Exhibit I to the Applica-

tion) that reports the actual dollar amount of the initial PIR Charges and other information specific to the PIR Bonds to be issued, including the Final Tariff Sheet;

- 4) Make such other findings and issue such other orders as requested by OPCo in this Application; and
- 5) Grant such other and further orders and approvals as it may deem necessary or proper under the circumstances.

OPCo requests that the Commission consider and approve the securitization and all related matters requested in this Application on an expedited basis by October 1, 2012.

This is within the 135-day timeline set forth in Section 4928.232(C)(1), Revised Code. OPCo states that such expedited treatment will permit the PIR Bonds to be issued in a timely fashion to take advantage of historically low interest rates and the currently functioning credit markets, and that the savings for customers expected to arise from the implementation of this Application may start being realized as soon as possible.

On August 1, 2012, the Office of the Ohio Consumers' Counsel filed a Motion to Intervene and Memorandum in support in this proceeding.

On August 14, 2012, the attorney examiner (AE) issued an Entry in this proceeding establishing a comment period to afford all interested persons the opportunity to provide comments on the Application filed by OPCo. The Entry, among other things, stated that all initial comments and reply comments should be filed with the Commission by no later than September 14, 2012, and September 28, 2012, respectively. The AE's Entry also suspended the automatic approval time frame regarding customer bill formats to allow for

the Commission to fully review the Application in its totality and in order to fully consider the entire record in this matter, including the forthcoming public comments.

C. Securitization Structure

For the purposes of the securitization transaction, OPCo will form a separate, wholly-owned limited liability company, which is expected to be organized in Delaware, as a special purpose entity (SPE). OPCo will then transfer, sell or assign its PIR Property to the SPE. A structure/transaction flow chart has been provided as Exhibit H to the Application. OPCo requests that the Financing Order confirm the formation of the SPE, the sale of PIR Property to the SPE, and the issuance by the SPE of PIR Bonds secured by the PIR Property, including PIR Charges and other assets and property owned by the SPE.

The SPE will be a bankruptcy-remote, special purpose limited liability company, with its activities generally limited to certain functions as more fully described in the Application.

The SPE will establish one or more segregated trust accounts (collectively, the “Collection Account”) into which all Phase-In-Recovery Charge remittances shall be deposited.

OPCo will capitalize the SPE in an amount anticipated to be 0.50 percent of its initial principal balance of PIR Bonds, based upon guidance from the Internal Revenue Service. The sale of PIR Property by OPCo to the SPE, as authorized under the Financing Order, will occur concurrently with the issuance of the PIR Bonds.

The SPE will acquire the PIR Property from OPCo using the net proceeds from the PIR Bonds. The repayment of the PIR Bonds by the SPE will be secured by, among other things, the PIR Property.

OPCo states that the PIR Bonds contemplated by the transactions described in the Application will be “asset-backed securities.” A key feature of any asset-backed security is that the SPE owning the asset or group of assets underlying those securities be “bankruptcy remote” from the entity originating such asset or group of assets, which in this case will be OPCo. These asset backed securities are insulated from the credit risks, including the possible bankruptcy, of the originating entity. The PIR Bonds secured by the PIR Property are expected to receive a triple-A (or equivalent) credit rating from applicable rating agencies.

In order to assure that the PIR Bonds receive the highest credit ratings and to enhance their marketability, OPCo reiterates that there are a number of other structural elements and express regulatory authorizations and confirmations customarily included in a Financing Order. These structural elements, authorizations and confirmations are described in this Application and include, among others, those described in paragraphs (a) through (j) below:

- (a) The irrevocability;
- (b) State pledge;
- (c) True sale;
- (d) Successor utility;

- (e) Security interest;
- (f) Bankruptcy of the electric distribution utility;
- (g) Non-bypassability;
- (h) Third party billing agents;
- (i) Validity of the Financing Order; and,
- (j) Treatment of PIR Charges.

OPCo seeks approval to issue and sell the PIR Bonds through a registered public offering which it claims will provide access to the most liquid market for the PIR Bonds, and therefore the best method to achieve the savings for ratepayers. In connection with the public offering, OPCo and/or the SPE will enter into several agreements with respect to the securitization transaction, as listed below:

- (1) The SPE's LLC (Limited Liability Company) Agreement containing customary SPE provisions related to its restricted purposes;
- (2) The Administration Agreement providing for the administrative functions that OPCo will provide to its SPE subsidiary;
- (3) The Sale Agreement providing for the terms and conditions of the absolute transfer and true sale of OPCo's right, title and interest in, to, and under the PIR Property to the SPE;
- (4) The Servicing Agreement describing the services that OPCo, as servicer, will provide to the SPE with respect to calculating, billing and collecting the Phase-In Recovery Charges/

These agreements will be filed as exhibits to the registration statement filed with the SEC. In addition, the material terms of each agreement will also be summarized in the

related prospectus included in the registration statement and used to offer and sell the Phase-In-Recovery Bonds.

The PIR Bonds issued by the SPE will be issued pursuant to an Indenture between the SPE and a third party trustee, which will describe the particular terms of the PIR Bonds, including the principal amount, interest rate, payment dates, issuance date, collateral, authorized denominations, principal repayment schedule and other material terms of the PIR Bonds. The Indenture will provide for certain covenants on the part of the SPE, as more fully described in the Application.

The PIR Bonds will be issued with a fixed rate of interest. OPCo believes that any potential benefits of issuing the PIR Bonds at a floating interest rate would be outweighed by potential risks due to volatile market conditions.

OPCo proposes to issue the PIR Bonds in one or more series and one or more tranches. The fixed interest rates and yields for each series or tranche will not be known until the PIR Bonds are priced.

Based upon current market conditions, typical structural features, and other features, OPCo estimates that the weighted average annual interest cost of the PIR Bonds to be less than 1.28%. According to OPCo, this would result in significant cost savings and mitigation of rate impacts through the proposed PIR Bond issuance.

According to OPCo, based on the PIR Bond expected principal repayment schedule reflected in Exhibit A of the Application (which is based upon level debt service), only a weighted average rate on the PIR Bonds at or above 3.32% would overcome on a net pre-

sent value basis the benefits associated with the Company's proposal so as to deny cost savings to customers.

OPCo requests that the Commission, in the Financing Order, afford it the flexibility in establishing the terms and conditions for the PIR Bonds to accommodate changes in market conditions, including repayment schedules, the fixed interest rates, Financing Costs, collateral requirements, required debt service and other reserves. OPCo states that it will not proceed with the issuance of PIR Bonds if it determines that market conditions are such that customers will not realize cost savings.

OPCo intends to sell the PIR Bonds pursuant to a negotiated sale to investors, coordinated through one or more underwriters. OPCo has engaged Citigroup Global Markets, Inc., an investment banking firm frequently involved in the underwriting of this type of securities, to assist in the process of structuring the transaction.

OPCo requests that the Commission consider and approve the securitization and all related matters requested in this Application on an expedited basis by October 1, 2012. This is within the 135-day timeline set forth in Section 4928.232(C)(1), Revised Code. According to OPCo, such expedited treatment will permit the PIR Bonds to be issued in a timely fashion to take advantage of historically low interest rates, and that the savings for customers expected from the transaction may be realized as soon as possible.

The expected principal repayment schedule and the transaction structure are provided in Exhibit D and H of the Application.

D. Up-front and Ongoing Financing Costs

OPCo will incur certain Upfront Financing Costs relating to retiring, refunding or defeasing OPCo's existing long-term debt, counsel fees, structural advisory fees, underwriting fees, rating agency fees, independent auditor's fees, SEC registration fees, printing and marketing expenses and other fees and expenses approved in the Financing Order. OPCo's current estimate of such Upfront Financing Costs is about \$16 million in the aggregate, including debt retirement/defeasance costs of about \$11 million, and about \$5 million of other Upfront Financing Costs described in Exhibit B to the Application.

In addition, there will be other ongoing financing costs (Ongoing Financing Costs) relating to the PIR Bonds such as principal and interest on the PIR Bonds, servicer fees and expenses, trustee fees and expenses, SPE administrative fees and expenses, Independent managers' fees, rating agency surveillance fees, ongoing SEC compliance costs, accounting fees, the cost of maintaining or replenishing overcollateralization or other reserves or accounts (if any), any ancillary agreement or other financing document relating to the PIR Bonds, and any other Financing Costs approved under the Financing Order. The Company estimates that it will incur Ongoing Financing Costs of \$631,057, if OPCo functions as the servicer of the PIR Bonds. The Company estimates that it will incur Ongoing Financing Costs of about \$2.6 million, if a third party functions as the servicer of the PIR Bonds.

The Ongoing Financing Costs, while expected to be relatively stable over time, may vary based on the actual debt service payments, depending on the deviations that occur in actual collections. Other Ongoing Financing Costs, such as rating agency surveillance

fees, trustee fees, and legal and accounting costs, recovery of tax liabilities also arise from securitization. All Ongoing Financing Costs must be recovered through the imposition and collection and adjustment (or true up), from time to time, of the PIR Charges.

OPCo has a proposed a mechanism for making expeditious periodic adjustments in the PIR Charges. Such adjustments, or true-up filings, must be made annually to correct for any under collections or over collections during the preceding period and to ensure that the PIR Charges continue to generate amounts sufficient to timely pay all scheduled payments of principal and interest and any other amounts due in connection with the PIR Bonds for the twelve month period following the true-up adjustment.

Further, the servicer will make a mandatory interim true-up filing semi-annually (quarterly after the last scheduled maturity date of any PIR Bonds) to ensure that PIR Charges are sufficient to pay such PIR Bonds in full on the next succeeding payment date.

The Commission's review of any adjustment request would be limited to determining whether there is any mathematical error in the application of the adjustment mechanism approved in the Financing Order.

Finally, the initial PIR Charges will be determined by OPCo prior to the issuance of the PIR Bonds and filed with the Commission in the Final Tariff Sheet as an attachment to the Issuance Advice Letter. These charges will be final and effective upon the issuance of the PIR Bonds, without further Commission action.

A more detailed description of the adjustment mechanism is provided in Exhibit E of the Application.

E. Anticipated Use of the PIR Bond Proceeds

OPCo intends to use the proceeds from the issuance and sale of PIR Bonds, net of upfront Financing Costs, to redeem, retire, repay or defease¹ a portion of its existing debt. OPCo states that debt defeasance costs may vary significantly in response to market conditions and as a result of the terms of the various debt securities to be defeased (e.g. the cost of securities deposited to defease the debt securities).

In addition, the cost of debt retirement or tender is impacted by changes in interest rates. The lower prevailing interest rates are at the time of retirement or tender, the higher the cost will be to effect such retirement or successful tender. However, OPCo also states that the impact of any increase in debt retirement costs caused by lowers market interest rates should be somewhat offset by a lower cost of debt on the PIR Bonds.

OPCo requests that the Commission authorize it to retire a portion of its debt with the proceeds from the PIR Bonds in any manner, consistent with market conditions, that does not impede the securitization transaction from achieving measurably enhanced cost savings and mitigating rate impacts for customers.

OPCo's current estimate of the debt retirement/defeasance costs is about \$11 million, as described on Exhibit B to the Application.

¹ Defeasance refers to discharging a portion of the Company's debt by presenting a portfolio of securities (usually, Treasury obligations) to a trustee who will use the cash flow to service the old debt. This procedure will permit the Company to no longer include the debt in its financial statements

III. SECURITIZATION REVIEW

In the Application, the Company states that the securitization transaction is expected to significantly reduce the carrying charges over the recovery period for these Phase-In Costs through the issuance of the PIR Bonds resulting in estimated nominal costs savings to customers of approximately \$11.8 million in the aggregate as shown on Exhibit A to the Application.

The Staff applied the following tests and reviews to verify whether the proposed securitization transaction satisfied certain conditions:

- (a) The total revenue test,
- (b) The present value test,
- (c) The proceeds test, and
- (d) Bond Structuring and Pricing review.

The cost/benefit analysis provided by the Company demonstrates that the securitization meets the total revenue test and the present value test under the estimated case scenario. The total revenues from the PIR Charges will be less than the total revenue requirements under conventional utility financing methods in the expected case scenarios. In the estimated case scenario, securitization will result in revenues of about \$11.8 million less than the revenues under the Commission's previously- approved recovery methods/conventional financing methods. (Source: Exhibit A to the Application)

In the expected case scenario, the securitization will result in tangible and quantifiable benefits to consumers using the present value test. OPCo's retail consumers will pay

\$20.4 million on a present value basis in the estimated scenario than they would pay if the same balance were recovered through previously- approved recovery methods/conventional financing methods.

The proceeds test will be satisfied when the Companies primarily use the proceeds they receive from the issuance of PIR Bonds, in exchange for the sale of the PIR Property to redeem, retire, and repay or defease a portion of its existing debt.

In addition, the proposed securitization financing appears to have been designed and structured to ensure that the PIR Bonds receive the highest bond rating reasonably possible, consistent with the objective of obtaining the lowest overall cost of financing through securitized PIR Bonds.

A. Total Revenue Test

The total revenue test is intended to verify whether the total amounts of revenues to be collected under the Financing Order will be less than the revenue requirement that would be recovered using existing cost recovery/ratemaking methods.

To the extent the total amounts billed under securitization is less than the total amounts billed under DARR (See Table-1 below), it demonstrates that the securitization meets the total revenue test.

TABLE-1

Total Amounts Billed under DARR	\$ 341,289,933
Total Amounts Billed under Securitization	\$ 329,498,052
Savings From Securitization	\$ 11,791,881

* Source: Exhibit A to the Joint Application.

The total amounts billed under securitization include the principal and interest payments to be made over the expected life of the PIR Bonds as shown in Exhibit A to the Application. The PIR Charge also includes the estimated annual, ongoing Financing Costs as shown in Exhibit A to the Application, which are not included in the existing DARR.

The total amounts billed under DARR were determined using the same amount of recoverable balance as was used to compute the present value benefit from securitization, but recognizing certain differences between the two recovery methods. Specifically, the costs that relate solely to a securitization transaction, *e.g.*, the up-front Financing Costs of issuance and ongoing Financing Costs of supporting and servicing the PIR Bonds, are not included in the computation of costs under DARR. Costs recovered under DARR assume recovery through 2018, using the return on assets of 5.34%, as shown in Exhibit A to the Application.

B. Present Value Test

The present value test is intended to ensure that the net present value of the amounts billed under securitization does not exceed the present value of total amounts billed under DARR over the PIR Bond life discounted using the proposed interest rate on the PIR Bonds.

To the extent the estimated present value of the total amounts billed under securitization does not exceed the estimated net present value of total amounts billed under DARR, it demonstrates that the securitization meets the net present value test, as illustrated in Table-2 below.

TABLE-2

Present Value	Estimated Comparison* (in millions)
Phase-In Recovery Charges	\$ 294,060,850
Existing Cost Recovery/Ratemaking	\$ 273,703,607
Savings From Securitization	\$ 20,357,243

* Source: Exhibit A to the Joint Application.

If it is assumed that the PIR Bonds are issued with a weighted average annual interest rate on the PIR Bonds of 1.28%, OPCo has estimated that it will result in nominal savings to its customers of about \$11.8 million and a net present value savings of about \$20.4 million when compared to the cost recovery mechanism previously approved by the Commission through the DARR. If the weighted average annual interest rate of the PIR

Bonds reach at or above 3.32%, on a net present value basis, and at or above 2.32%, on a nominal value basis, OPCo's customers will not realize any savings from the securitization. (Exhibit A to the Application)

C. Proceeds Test

The proceeds test is intended to ensure that the proceeds from the PIR Bonds are primarily used for the purposes of the repayment of the existing long-term debt of the Company.

As mentioned previously, OPCo proposes to use the proceeds from the issuance of the PIR Bonds, net of Upfront Financing Costs, to redeem, retire, repay or defease a portion of its existing debt.

Except for the \$11 million cost to defease a portion of its existing long-term debt, OPCo intend to use all of the proceeds to redeem, retire or repay its existing long-term debt.

D. Bond Structuring and Pricing Review

The structuring and pricing review is intended to ensure that the structuring and pricing of the PIR Bonds result in the lowest PIR charges consistent with market conditions and the terms of the Financing Order.

OPCo designed and structured the proposed securitization financing to ensure that the PIR Bonds receive the highest bond rating reasonably possible, and accomplish both measurably enhanced cost savings to customers and mitigate rate impacts to customers through securitized PIR Bonds

OPCo states that at the time of issuance of the PIR Bonds, certain Upfront and Ongoing Financing Costs are likely to vary from such estimate as a result of changes in market conditions and other factors (e.g., the actual costs of redeeming or otherwise retiring existing long-term debt), none of which can be determined at this time.

The actual investor market-clearing interest rates for the PIR Bonds will be determined through the marketing and price discovery process.

The Company proposes to file an Issuance Advisory Letter, no later than the close of business on the second business day after pricing of the PIR Bonds. The Issuance Advice Letter is intended to describe the final structure and the terms of the PIR Bonds (including the interest rates), and will include the Final Tariff Sheet with the initial PIR Charges.

OPCo states that the PIR Charges set forth in the Issuance Advice Letter will become effective (without any further Commission action) unless the Commission issues an Order finding that the proposed issuance of the PIR Bonds does not comply with the requirements of the Financing Order, prior to noon on the fourth business day after pricing on the date of pricing. Absent such an Order, the PIR Charges will be deemed final and effective upon the issuance of the PIR Bonds, without further Commission action.

OPCo, in its sole discretion, may delay imposition of such charges to the first day of the billing cycle of the revenue month next following the issuance date of the PIR Bonds or such other date not more than 30 days following the date of issuance as mentioned in the Issuance Advice Letter.

The Staff reviewed the Company's securitization application and concurs that the financing terms and costs projected by OPCo appear to be in conformance with general

market conditions and are therefore reasonable. In order to ensure that the actual financing terms and costs incurred by the Company reflects the projected financing terms and costs, the Staff recommends that the Commission condition its approval of OPCo's securitization financing costs of the PIR Bonds at an amount not exceed 5% of the projections provided for in OPCo's application.

In order to ensure the above, the Staff recommends that the Commission should require the Companies to confirm that the actual terms of the PIR Bonds will result in compliance with the above mentioned issuance standards in the following manner:

E. Issuance Advice Letter

Because the actual structure and pricing of the PIR Bonds will not be known at the time the Financing Order is issued, the Company has provided a draft format of the Issuance Advice Letter. (See Exhibit I to the Application) to inform the Commission following the determination of the final terms of the PIR Bonds and prior to the issuance of the PIR Bonds.

- (a) The Staff proposes its draft format of the Issuance Advice Letter to facilitate the Company to inform the Commission with respect to each series of PIR Bonds following the determination of the final terms of the PIR Bonds and prior to the issuance of the PIR Bonds. The Staff proposed Issuance Advice letter, among other things, include a certification by the Company that the structuring and pricing of the PIR Bonds, as described in the issuance advice letter, will result in both measurably enhanced cost savings to customers and mitigate rate impacts to customers as compared with traditional cost recovery methods available to the Company. The Staff is of the opinion that the Issuance Advice Letter, in the format proposed by the Staff would ensure that the issuance of the PIR Bonds

meet the statutory requirements. The Staff recommends that the Commission should require the Company to file the Issuance Advice Letter, in the format proposed by the Staff. The Staff proposed format of the Issuance Advice Letter is provided for the Commission's consideration in Staff Exhibit A.

- (b) The Company has proposed to file the Issuance Advice Letter with the Commission no later than the close of business on the second business day after pricing of the PIR Bonds. OPCo also proposes that the initial PIR Charges set forth in the Issuance Advice Letter will become effective (without further action from the Commission action) on the date of issuance of the PIR Bonds unless prior to noon on the fourth business day after pricing, the Commission issues an Order finding that the proposed issuance of the PIR Bonds does not comply with the requirements of the Financing Order.

This effectively provides for a two day window within which the Staff is expected to review the final terms of the PIR Bonds and advise the Commission whether the terms put forth in the Issuance Advice Letter appears reasonable or whether the Commission should issue an Order finding that the proposed issuance of the PIR Bonds does not comply with the requirements of the Financing Order.

The Staff recommends that the initial PIR Charges set forth in the Issuance Advice Letter should become effective (without further action from the Commission action) on the date of issuance of the PIR Bonds unless prior to noon on the fifth business day after pricing, the Commission issues an Order finding that the proposed issuance of the PIR Bonds does not comply with the requirements of the Financing Order. The Staff proposed timeframe will provide a three day window within which it will have an oppor-

tunity to review the final terms of the PIR Bonds and advise the Commission regarding the reasonableness of the Issuance Advice Letter.

F. Recovery of the Remaining Upfront Financing Costs

OPCo, on page 9 of the Application, states that if the actual issuance costs are more than the estimated upfront Financing Costs set forth in the Issuance advice Letter, OPCo may request recovery of the remaining Upfront Financing Costs through traditional rate-making mechanisms.

The Staff proposed cap of 5% over the estimated Upfront Financing Costs is intended to allow the Company to recover all of the actual Upfront Financing Costs within the limit set forth as part of the PIR Charges. The Staff is of the opinion that the Commission should not allow OPCo's request in this regard.

G. Use of Proceeds

The Company intends to use the proceeds from the issuance and sale of PIR Bonds, net of upfront Financing Costs, to redeem, retire, repay or defease a portion of its existing debt. OPCo states that debt defeasance costs may vary significantly in response to market conditions and as a result of the terms of the various debt securities to be defeased (e.g. the cost of securities deposited to defease the debt securities).

The Commission Opinion and Order dated August 8, 2012, in Case Nos. 11-346-EL-SSO, et al. (SSO Order), among other things, stated on Page 59, as follows:

Staff raises some concern with the implementation of corporate separation and the lack of the Company's transfer of all debt and/or intercompany notes to GenResources. Despite the Staff's recommendation, the Commission approves AEP-Ohio's requests to retain the pollution control bonds contingent upon a filing with the Commission demonstrating that AEP-Ohio ratepayers have not and will not incur any costs associated with the cost of servicing the associated debt. More specifically, AEP-Ohio ratepayers shall be held harmless for the cost of the pollution control bonds, as well as any other generation or generation related debt or inter-company notes retained by AEP-Ohio. AEP-Ohio shall file such information with the Commission, in this docket no later than 90 days after the issuance of this Order. Accordingly, the Commission finds that, subject to our approval of the corporate separation plan, the electric distribution utility should divest its generation assets from its noncompetitive electric distribution utility assets by transfer to its separate competitive retail generation subsidiary, GenResources, as represented in this modified ESP.

OPCo, in the current securitization case, Case No. 12-1969-EL-ATS (ATS Case), has indicated that it intends to use a portion of the PIR Bond proceeds, among other things, to defease a portion of its existing long-term debt.

To the extent the Company intends to defease a portion of its pollution control bonds and that AEP-Ohio has not yet filed information regarding the hold harmless feature for the cost of the pollution control bonds as required by the Commission in the SSO Order, the Staff is of the opinion that the Commission Order in this securitization case should authorize the Company's intent to defease only if it is consistent with the Commission conclusions in the Company's Corporate Separation Case.

H. Third-party Billing/Collection

OPCo is proposing that the Financing Order should further provide that (i) regardless of who is responsible for billing, the customers of that electric distribution utility (EDU) shall continue to be responsible for PIR Charges, (ii) if a third party meters and bills for the PIR Charges, the EDU (as servicer) must have access to information on billing and usage by customers to provide for proper reporting to the SPE and to perform its obligations a servicer, (iii) in the case of a third party default, billing responsibilities must be promptly transferred to another party to minimize potential losses; and (iv) the failure of customers to pay PIR Charges shall allow service termination by the EDU on behalf of the SPE of the customers failing to pay PIR Charges in accordance with Commission approved service termination rules and orders.

The Staff believes that competitive third-party billing/collection is not currently permitted by the Commission rules. Therefore, the Staff recommends that if the Commission, in the future, establishes rules relating to competitive third-party billing/collection, OPCo should be allowed to implement such features as long as such billing/collection does not result in additional burden on OPCo's customers on a going forward basis. In other words, such third-party billing/collection costs should not be included as part of the recoverable, ongoing costs as contemplated by the Application and the Act, or as part of any other rates and charges.

IV. DARR REVIEW AND PHASE-IN RECOVERY CHARGE ANALYSIS

A. Estimated Deferral Balances Subject To Securitization

Staff reviewed and verified the deferred balances as of July 31, 2012, including carrying charges, associated with the Deferred Asset Recovery Rider (DARR). Additionally, Staff verified the beginning principal balances and monthly activity to date through July 31, 2012 associated with the DARR.

B. Estimated Comparison of Existing Rate Making and Securitization

The securitization structure as illustrated on Exhibit A of the application demonstrates that the securitization will produce nominal and net present value savings for customers as compared to the DARR and to OPCo's weighted average cost of capital. The proposal is expected to significantly reduce the carrying charges over the recovery period for the DARR resulting in customer savings through the issuance of the PIR Bonds (even after including applicable Financing Costs).

OPCo has presented evidence through Exhibit A of the Application that the issuance of PIR Bonds will, assuming a weighted average annual interest rate on the PIR Bonds of 1.28%, result in nominal value savings to OPCo's customers of approximately \$11.8 million when compared to the cost recovery mechanism previously approved by the Commission through the DARR. The issuance will also result in a net present value savings of approximately \$20.4 million when compared to the DARR. OPCo has further presented evidence through Exhibit A of the Application that customers will continue to realize savings on a net present value basis so long as the weighted average annual inter-

est rate on the PIR Bonds does not exceed 3.32% and savings on a nominal basis so long as the weighted average annual interest rate does not exceed 2.32%.

The Staff has reviewed Exhibit A of the Application, which compares the existing rate making structure with the securitization structure, and believes the rate development methodology is reasonable as long as the financing structure results in a reduction of amount payable by customers on both a nominal and a net present value basis as compared with existing recovery mechanisms. Due to the fact that the financing order must be reasonably expected to result in cost savings to customers and reasonably expected to mitigate rate impacts as compared with traditional financing or recovery methods, the Staff recommends that OPCo should seek Commission approval after pricing of the bonds occurs should the up-front financing cost and/or the ongoing financing cost exceed the estimated cost as illustrated in Exhibit C of the Application by 5%. This recommendation is due to the fact that the financing costs could substantially impact the savings to customers should the actual cost vary significantly from the estimated cost.

C. True-Up of the Phase-In-Recovery Charges Rider

OPCo has proposed a formula-based mechanism for making expeditious periodic adjustments in the PIR Charges that customers would be required to pay under the Financing Order, as illustrated in Exhibit J.

Specifically, OPCo has proposed that such adjustments, or true-up filings, must be made annually to correct for any undercollections or overcollections during the preceding period and to ensure that the PIR Charges continue to generate amounts sufficient to

timely pay all scheduled payments of principal and interest and any other amounts due in connection with the PIR Bonds for the twelve-month period following the true-up adjustment, with the first such adjustment to be made within forty-five days of the first anniversary of the issuance date for the bonds.

Additionally, OPCo has proposed that the servicer (which will likely be OPCo) shall make a mandatory interim true-up filing semi-annually (quarterly after the last scheduled maturity date of any PIR Bonds) if (a) the servicer forecasts that the PIR Revenues will be insufficient to make all scheduled payments of principal, interest, and other ongoing Financing Costs bonds on a timely basis during the current or next succeeding payment period; provided, that in the case of any quarterly true-up adjustment following the last scheduled maturity date of any PIR Bonds, the true-up adjustment will be calculated to ensure that PIR Charges are sufficient to pay such PIR Bonds in full on the next succeeding payment date; and/or (b) such adjustments are needed to replenish any draws upon the capital subaccount. In no event will mandatory interim true-up adjustments occur more frequently than every six months if semi-annual phase-in-recovery bond payments are required or every three months if quarterly phase-in recovery bond payments are required. In addition to mandatory annual and semi-annual (and quarterly after the last scheduled maturity date of the phase-in recovery bonds) true up filings, the Servicer will be permitted to submit a true-up filing more frequently if the servicer determines that such true-up filing is necessary to ensure the expected recovery of amounts sufficient to pay scheduled principal and interest on the Phase-In Recovery Bonds and other ongoing financing costs on a timely basis.

OPCo's proposed true-up adjustment will take into account and be designed to eliminate cumulative historical, and any projected, differences between the scheduled periodic payment for the given period and the amount of PIR Charges remitted to the Indenture Trustee. The PIR Charge will be expressed as a percentage of base distribution charges, and will be calculated based upon OPCo's most recent forecast of base distribution charge revenues for all customers, as well as OPCo's most recent estimates of ongoing financing costs.

Furthermore, OPCo proposed that each true-up adjustment filing request will set forth the servicer's calculation of the true-up adjustment to the PIR Charges. The Commission will have fifteen (15) days after the date of a true-up adjustment request filing in which to confirm the mathematical accuracy of the servicer's adjustment. Any necessary corrections to the true-up adjustment, because of mathematical errors in the calculation of such adjustment, will be made in a future true-up adjustment filing.

The Staff believes the true-up mechanism methodology for the PIR Charges Rider, as illustrated in Exhibit J, of the Application is reasonable. However, the Staff does not support the proposal that would require the Commission to review and approve the true-up adjustment within a fifteen (15) day period. The Staff proposes that the Commission would set a procedural schedule for each true-up adjustment in order for new rates to become effective.

V. RATES AND TARIFFS REVIEW

OPCo proposes to establish a new rider, Deferred Asset Phase-In Rider, to recover securitized costs associated with the current Deferred Asset Recovery Rider (DARR). The DARR was authorized in the OPCo's most recent distribution rate case, and the DARR rates for the Ohio Power and Columbus Southern Power Rate Zones are identical at 8.5012% of base distribution charges. OPCo proposes to maintain the current rate design by establishing a rate, set as a percentage of base distribution charges. Once the Deferred Asset Phase-In Rider is approved and effective, the DARR would be withdrawn.

OPCo proposes to develop a revenue requirement for its Deferred Asset Phase-In Rider based on the on-going securitization costs of its unregulated subsidiary Special Purpose Entity. The Deferred Asset Phase-In Rider would then be arrived at by dividing the securitization revenue requirement by OPCo's most recent forecast of base distribution charge revenues for all customers. The resulting percentage would be applied uniformly across all rate schedules. Once approved, these rates would appear in the tariff of the regulated utility. These rates would be in effect until the next annual update unless it appears revenues will be insufficient to service the phase-in recovery bonds, in which case more frequent updates would be permitted. When preparing updates, OPCo proposes to calculate rates for both the subsequent six-month and twelve-month periods, and use the higher of the two calculated rates for determining its tariffed rate. Staff believes the Deferred Asset Phase-In Rider rate, for which annual updates are planned, should be based on data covering twelve months. Using the higher of the six and twelve month cal-

culations would likely yield an excess collection. If a shortfall in collections ensues using the twelve-month based rate, the applicant would be able to file an interim adjustment.

With the exception of recommendation regarding the adjustment mechanism mentioned above, Staff believes the Deferred Asset Phase-In Rider rate development methodology, as illustrated in Exhibit E, is reasonable. It maintains the current authorized rate design, with no shifts in revenue responsibility, while capturing the savings attributable to the securitization process.

VI. BILL FORMAT REVIEW

OPCo seeks approval of a bill message that states,

In Case No. 12-1969-EL-ATS the Commission approved recovery of previously incurred cost, including PUCO-approved Phase-In-Recovery Charges, Ohio Power Company collects from all customers on behalf of its subsidiary, Ohio Power Phase-In recovery Bonds I, which owns the right to impose and collect such charges.

OPCo states in its application that such notation is important to preserve the “bankruptcy remote” nature of the securitization by respecting the legal ownership of the Phase-In-Recovery Property (Application at 14). Ohio Revised Code Section 4928.239(C) states the following:

The phase-in-recovery charges shall be collected by the electric distribution utility or the electric distribution utility’s successors or assignees, or a collection agent, in full through a charge that is separate and apart from the electric distribution utility’s base rates.

Staff recommends that the Commission require that OPCo include a separate line item to identify the Deferred Asset Phase-In Rider on the bill. Although the proposed Phase-in-recovery charge is a separate tariff charge from the base rates, Staff believes that it should also be identified separately from the utility's base rates on the bill.

Staff also recommends that the Commission require the proposed bill message be incorporated into the definition section of the bill and revise its language to read as follows:

The Deferred Asset Phase-in Rider collects previously incurred cost from all customers of Ohio Power on behalf of its subsidiary, Ohio Power Phase-In Recovery Bond I, which owns the right to impose and collect such charges.

VII. SUMMARY OF STAFF COMMENTS AND RECOMMENDATIONS

The Company has demonstrated that the proposed securitization will benefit customers by providing cost savings and rate mitigation. The Staff recommends that the Commission approve the Company's proposed securitization, incorporating the Staff recommendations listed herein, and issue a Financing Order for the following:

- (a) consummation of the transactions contemplated by the issuance of PIR Bonds, the securitization transaction providing for the recovery of PIR Costs and Financing Costs, through the issuance of up to an aggregate amount of \$320 million of PIR Bonds payable from collections from PIR Charges;
- (b) approve OPCo's proposed securitization and related matters.
- (c) the recovery of Phase-In Costs and Upfront Financing Costs, through the issuance of up to an aggregate amount of \$320 million of PIR Bonds payable from collections from PIR Charges, and the execution, delivery and per-

formance of all documentation necessary to consummate the securitization transaction,

- (d) the imposition, charging, and collection of PIR Charges,
- (e) the creation of the PIR Property (such creation to be simultaneous with the sale of such Phase-In-Recovery Property (PIR Property) to the SPE and the issuance of the PIR Bonds),
- (f) the establishment of an adjustment mechanism as described herein to be applied from time to time to adjust the PIR Charges to ensure the timely payment of PIR Bonds and all ongoing Financing Costs,
- (g) the calculation and allocation of the PIR Charges among customer classes,
- (h) the maximum term of the PIR Bonds,
- (i) the organization and capitalization of the SPE to which PIR Property will be sold,
- (j) the servicing of PIR Charges by OPCo as initial servicer or any successor servicer under the servicing agreement,
- (k) flexibility in establishing the terms and conditions for the PIR Bonds to accommodate changes in market conditions,
- (l) the ability to issue PIR Bonds and to effect correlated assignments, sales, pledges, and other transfers of PIR Property;
- (m) approval of the Final Tariff Sheet and associated adjustment mechanism,
- (n) find that the proposed securitization, consistent with market conditions, measurably enhances cost savings to customers and mitigates rate impacts to customers as compared to the existing cost recovery methods of the Company. However, the Commission should condition its approval upon AEP achieving a weighted average annual interest rate below 2.32% in order that AEP may satisfy the nominal test.

- (o) after pricing of the PIR Bonds occurs, the Company should seek Commission approval if the Upfront Financing Costs and/or the on-going Financing Costs exceed the estimated costs by 5%, as illustrated in Exhibit B of the Application.
- (p) the Company should file the Issuance Advice Letter, in the Staff proposed format as provided in Staff Exhibit A.

The initial PIR Charges set forth in the Issuance Advice Letter should become effective (without further action from the Commission action) on the date of issuance of the PIR Bonds unless prior to noon on the fifth business day after pricing, the Commission issues an Order finding that the proposed issuance of the PIR Bonds does not comply with the requirements of the Financing Order.

- (q) authorize the Company's intent to defease the Pollution Control Bonds only if it is consistent with the Commission conclusions in the Company's Corporate Separation Case.
- (r) if the Commission, in the future, establishes rules relating to competitive third-party billing/collection, permit OPCo to implement such features as long as such billing/collection does not result in additional burden on OPCo's customers on a going forward basis. Such third-party billing/collection costs should not be included as part of the recoverable, ongoing costs as contemplated by the Application and the Act, or as part of any other rates and charges.
- (s) require OPCo to include a separate line item to identify the Deferred Asset Phase-In Rider on the bill and the PIR Charge should be identified separately from the utility's base rates on the bill.
- (t) require OPCo's proposed bill message be incorporated into the definition section of the bill and revise its language to read as follows: "The Deferred Asset Phase-in Rider collects previously incurred cost from all customers of Ohio Power on behalf of its subsidiary, Ohio Power Phase-In Recovery Bond I, which owns the right to impose and collect such charges."

VIII. CONCLUSION

The Staff respectfully requests that the Commission make the above-referred changes/adjustments in its Financing Order in this case.

Respectfully submitted,
Michael DeWine
Ohio Attorney General

William L. Wright
Section Chief

/s/ Thomas W. McNamee

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IX. PROOF OF SERVICE

I hereby certify that a true copy of the foregoing **Comments and Recommendations** submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served by regular U.S. mail, postage prepaid, or hand-delivered, upon the following Parties of Record, this 14th day of September, 2012.

/s/ Thomas W. McNamee

Thomas W. McNamee

Assistant Attorney General

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ATTACHMENT 1
FORM OF ISSUANCE ADVICE LETTER

_____ day _____, 201__

Case No. 12-1969-EL-ATS

The Public Utilities Commission of Ohio

SUBJECT: ISSUANCE ADVICE LETTER FOR PHASE-IN RECOVERY BONDS

Pursuant to the Financing Order issued *In the Matter of the Application of Ohio Power Company for Authority to Issue Phase-in-Recovery Bonds and Impose, Charge and Collect Phase-in-Recovery Charges for Tariff and Bill Format Changes in Case No. 12-1969-EL-ATS (the Financing Order)*, Applicant hereby submits, no later than noon on the second business day after the pricing of this series of PIR Bonds, the information referenced below. The issuance Advice Letter is for the PIR Bonds series_____, tranches_____. Any capitalized terms not defined in this letter shall have the meanings ascribed to them in the Financing Order.

PURPOSE:

This filing establishes the following:

- (a) The total amount of Phase-In Recovery Charges being securitized;
- (b) Confirmation of compliance with issuance standards;
- (c) The actual terms and structure of the PIR Bonds being issued;
- (d) The initial Phase-In-Recovery Charges for retail users; and
- (e) The identification of the SPE

PHASE-IN RECOVERY CHARGES BEING SECURITIZED:

The total amount of Phase-In Recovery Charges being securitized (the Securitized Phase-In Recovery Charges) is presented in Attachment-1.

COMPLIANCE WITH ISSUANCE STANDARDS

The Financing Order requires Applicant to confirm, using the methodology approved therein, that the actual terms of the Phase-In Recovery (PIR) Bonds result in compliance with the standards set forth in the Financing Order. These standards are:

1. The total amount of revenues to be collected under the Financing Order is less than the revenue requirement that would be recovered using traditional cost recovery mechanisms (See Exhibit-A, Attachment 2, Schedule C and D);
2. The amount securitized will not exceed the present value of traditional cost recovery mechanisms revenue requirement over the life of the proposed PIR Bonds associated with the Securitized PIR; (See Exhibit-A, Attachment 2, Schedule D);
3. The PIR Bonds will be issued in one or more series comprised of one or more tranches having final maturities of ___years and legal final maturities not exceeding ___ years from the date of issuance of such series (See Exhibit-A, Attachment 2, Schedule A).

The structuring and pricing of the PIR Bonds is certified by the Applicant to result in the PIR Bond charges as of the date of issuance consistent with market conditions and the terms set out in this Financing Order (See Exhibit-A, Attachment 3) that demonstrates both measurably enhanced cost savings to customers and mitigates rate impacts to customers as compared with traditional cost recovery methods available to the Applicant.

ACTUAL TERMS OF ISSUANCE

PIR Bond Series: _____

PIR Bond Issuer: [SPE]

Trustee:

Closing date: _____, 201__

Bond ratings: S&P AAA, Fitch AAA, Moody's Aaa

Amount Issued: \$ _____

PIR Bond Issuance Costs: See Attachment _____ Schedule _____

PIR Bond Support and Serving: See Attachment _____ Schedule _____

Tranche	Coupon Rate	Expected Final Maturity	Legal Final Maturity
A-1		___/___/___	___/___/___
A-2		___/___/___	___/___/___

Effective Annual Weighted Average Interest Rate of the PIR Bonds	___%
Life of Series:	___years
Weighted Average Life of Series:	___years
Call Provisions (including premium, if any):	
Target Amortization Schedule:	
Target Final Maturity Dates:	
Legal final Maturity Dates:	
Payments to Investors:	Semiannually Beginning _____, 2013
Initial annual Servicing Fee as a percent of original PIR Bond principal balance:	___%

INITIAL PHASE-IN RECOVERY CHARGES

Table I below shows the current assumptions for each of the variables used in the calculation of the initial Phase-In Recovery Charges

TABLE I	
Input Values For Initial Phase-In Recovery Charges	
Applicable period: from_____, _____ to _____, _____	
Forecasted retail kWh/kW sales for the applicable period:	_____
PIR Bond debt service for the applicable period:	\$_____
Percent of billed amounts expected to be charged-off	%
Forecasted % of Billing Paid in the Applicable Period:	%
Forecasted retail kWh/Kw sales billed and collected for the applicable period:	
Current PIR Bond outstanding balance:	\$_____. ____
Target PIR Bond outstanding balance as of __/__/_____	\$_____
Total Periodic Billing Requirement for applicable period:	\$_____

ATTACHMENT-1
SCHEDULE-A

CALCULATION OF SECURITIZED PHASE-IN RECOVERY CHARGES

	Total
Amount permitted to be securitized by Financing Order	\$
TOTAL SECURITIZED PHASE-IN RECOVERY CHARGES	\$

ATTACHMENT-1
SCHEDULE-B
ESTIMATED UP-FRONT FINANCING COSTS⁽¹⁾

		<u>AMOUNT</u>
1	Underwriters' Fees	
2	Legal Fees	
3	Rating Agency Fees ⁽²⁾	
4	Company Advisor Fees & Expenses	
5	Printing/Edgarizing	
6	SEC Registration Fees ⁽³⁾	
7	Miscellaneous Administration Costs	
8	Accountant Fees	
9	Trustee's/Trustee Counsel's Fees	
10	TOTAL UP-FRONT FINANCING COSTS	

⁽¹⁾ Based on the actual amount of the PIR Bond issuance comprised of the Company's actual DARR deferral balance as the date of issuance, estimated debt retirement/defeasance costs and other upfront costs described above.

⁽²⁾ Based on rating agency fee schedules and ratings from S&P, Moody's and Fitch.

⁽³⁾ Based on actual fee level based on debt issued.

ATTACHMENT-2
SCHEDULE-A

PHASE-IN RECOVERY BOND REVENUE REQUIREMENT INFORMATION

[illegible][illegible]

ATTACHMENT-2
SCHEDULE-B
ONGOING FINANCING COSTS

	<u>ANNUAL AMOUNT</u>
Ongoing Servicer Fee (The Companies as Servicer) (0.10% of principal amount) <u>OR</u> Ongoing Servicer Fee (Third Party as Servicer) (0.75% of principal amount)	
Administration Fees	
Accountants Fees	
Legal Fees/Expenses for Company's/Issuer's Counsel	
Trustee's/Trustee's Counsel Fees & Expenses	
Independent Manager's Fees	
Rating Agency Fees	
Printing/EDGAR expenses	
Miscellaneous	
TOTAL ONGOING FINANCING COSTS	

Note: The amounts shown for each category of operating expense on this attachment are the expected expenses for the first year of the transition bonds. Phase-In Recovery Charges will be adjusted at least semi-annually to reflect any changes on Ongoing Financing Costs through the true-up process described in the Financing Order.

ATTACHMENT-2
SCHEDULE-C

CALCULATION OF PHASE-IN RECOVERY CHARGES

Year	Phase-In Recovery Bond Payments¹	Ongoing Costs²	Total nominal Phase-In Recovery Charge Requirement³ (b)+(c)	Present Value of Phase-In Recovery Charges⁴
(a)	(b)	(c)	(d)	(e)

¹ From Attachment 2, Schedule A, of the Staff Comments and Recommendations.

² From Attachment 2, Schedule B, of the Staff Comments and Recommendations.

³ Sum of PIR Bond payments and ongoing costs

⁴ The discount rate used is the weighted average effective annual interest rate of the PIR bonds.

ATTACHMENT-3
SCHEDULE-D

**COMPLIANCE WITH THE PRESENT VALUE STANDARD AND
REVENUE REQUIREMENTS STANDARD¹**

	Conventional Financing Through²	Securitization Financing³	Savings/(Cost) of Securitization Financing
Nominal	\$_____	\$_____	\$_____
Present Value	\$_____	\$_____	\$_____

¹ Calculated in accordance with the methodology used in the Application

² Carrying Costs at 5.34% and the _____the term of ____ years. The discount rate used is weighted average effective annual interest rate of the PIR Bonds of ____%.

³ From Attachment 2, Schedule C

ATTACHMENT-3

CERTIFICATION OF COMPLIANCE

[FE Companies Letterhead]

Date: _____, 201__

Re: Application of Ohio Power Company, Case No. 12-1969-EL-ATS

Applicant, Ohio Power Company, *In the Matter of the Application of Ohio Power Company for Authority to Issue Phase-in-Recovery Bonds and Impose, Charge and Collect Phase-in-Recovery Charges for Tariff and Bill Format Changes in Case No. 12-1969-EL-ATS (the Financing Order)*. All capitalized terms not defined in this letter shall have the meanings ascribed to them in the Financing Order.

In its issuance advice letter dated _____, 201__, the Applicant has set forth the following particulars of the PIR Bonds:

Name of PIR Bonds: _____

PIR Bond Issuer:

SPE }

Trustee:

Closing date: _____, 201__

Amount Issued: \$ _____

Expected Amortization Schedule: See Attachment 2, Schedule A to the Issuance Advice Letter

Distributions to Investors (quarterly or semi-annually):

Weighted Average Coupon Rate: ____%

Weighted Average Yield: ____%

The following actions were taken in connection with the design, structuring and pricing of the PIR Bonds:

<Insert actions actually taken here>

Based upon the information reasonably available to its officers, agents, and employees of the Applicant, the Applicant hereby certifies that the structuring and pricing of the PIR Bonds, as described in the issuance advice letter, will result in the PIR bond charges as of the date of issuance, consistent with market conditions and the terms set out in this Financing Order that demonstrates both measurably enhanced cost savings to customers and mitigates rate impacts to customers as compared with traditional cost recovery methods available to the applicant.

The forgoing certifications do not mean that lower PIR Bond charges could not have been achieved under different market conditions, or that structuring and pricing the PIR Bonds under conditions not permitted by the financing Order could not also have achieved lower PIR Bond charges.

Applicant is delivering this Certification to the Commission solely to assist the Commission in establishing compliance with the aforementioned standard. Applicant specifically disclaims any responsibility to any other person for the contents of this Certification, whether such person claims rights directly or as third-party beneficiary.

Respectfully submitted,

OHIO POWER COMPANY

By:_____

Name:_____

Title:_____

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

9/14/2012 4:03:27 PM

in

Case No(s). 12-1969-EL-ATS

Summary: Comments and Recommendations submitted on behalf of the Staff of the Public Utilities Commission of Ohio by Assistant Attorney General Thomas W. McNamee.
electronically filed by Kimberly L Keeton on behalf of Public Utilities Commission of Ohio