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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Ohio Power)
Company's Request for)
Authorization to Suspend its) Case No. 13-1427-EL-UNC
Service Agreement with)
FirstEnergy Solutions Corp.)

FILE

REQUEST TO SUSPEND ELECTRIC DISTRIBUTION
COMPANY/COMPETITIVE RETAIL ELECTRIC
SERVICE PROVIDER AGREEMENT OR,
ALTERNATIVELY, TO WAIVE EXISTING TARIFF
PROVISIONS OF OHIO POWER COMPANY

Ohio Power Company ("AEP Ohio" or "Company") hereby files this Request to Suspend its Electric Distribution Company/Competitive Retail Electric Service Provider Agreement (EDU/CRES Agreement) with FirstEnergy Solutions Corp. (FES), pursuant to the terms of its Supplier Tariff (PUCO No. 20, Sheet Nos. 103-27D through 103-44D) and Rules 4901-1-24-08(C) and 4901:1-24-12 of the Ohio Administrative Code (O.A.C.). Specifically, AEP Ohio seeks Commission authorization, amongst other relief requested herein, to temporarily suspend the EDU/CRES Agreement with FES until FES fulfills its contractual collateral obligations under the EDU/CRES Agreement.

FES refuses to comply with the CRES Energy Supply Credit Requirements that apply to all CRES providers in AEP Ohio's service territory. Under those requirements, FES triggered the need for collateral in April 2013 when FES exceeded its maximum unsecured credit limit of \$30,000,000. While AEP Ohio made various attempts to informally resolve this issue, both before and during Commission-assisted mediation, it is clear that FES has no intention to provide any collateral, even though it continues to expose AEP Ohio and its customers to increasing risk as it continues to switch customers.

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On May 31, 2013 AEP Ohio issued a Notice of Default to FES in accordance with the EDU/CRES Agreement, its Commission-approved Supplier Tariff, and O.A.C. Chapter 4901:1-24. (Attachment A.) In that Notice, AEP Ohio requested that the collateral call be remedied by no later than June 7, 2013. Unlike any of the other CRES providers in AEP Ohio's territory, FES has refused to comply with the applicable credit requirements and, as a result, compels AEP Ohio to make this request to seek relief, including, without limitation, to temporarily suspend the EDU/CRES Agreement until such time as FES complies with the credit requirements.

PARTIES

1. AEP Ohio is both an electric utility as defined in Section 4928.01(A)(11) and an electric distribution utility as defined in Section 4928.01(A)(6), Ohio Revised Code (O.R.C.). AEP Ohio is an electric utility operating company subsidiary of American Electric Power Company, Inc.

2. FirstEnergy Solutions Corp. is a competitive retail electric service (CRES) provider, as defined in Section 4928.01(A)(4), O.R.C., and an electric services company as defined within Section 4928.01(A)(9), O.R.C. FirstEnergy Solutions is a competitive subsidiary of FirstEnergy Corp., and the unregulated affiliate of Ohio Edison Co., The Cleveland Electric Illuminating Co., and The Toledo Edison Co.

JURISDICTION

3. AEP Ohio is an electric utility in the state of Ohio and has standing to petition the Commission for authority to suspend the EDU/CRES Agreement. The Commission has jurisdiction over alleged violations of AEP Ohio's Commission-approved Supplier Tariff (PUCO No. 20, Sheet Nos. 103-27D through 103-44D), the EDU/CRES Agreement, and Ohio Administrative Code (O.A.C.) Chapter 4901:1-24.

BACKGROUND

4. AEP Ohio has a right to demand collateral from FES under the EDU/CRES Agreement, the Commission's rules (O.A.C. Chapter 4901:1-24), as well as its Commission-approved Supplier Tariff (PUCO No. 20, Sheet Nos. 103-27D through 103-44D).

5. O.A.C. 4901:1-24-08(A) states, "Pursuant to a tariff filed with the commission in accordance with rule 4901:1-10-29 of the Administrative Code, an electric utility may require a retail electric generation service provider to issue and maintain a financial instrument with the electric utility to protect the electric utility in the event that the retail electric generation service provider fails, in whole or in part, to deliver contracted retail generation service to a customer for which the electric utility supplied to the customer in its capacity as default supplier." Subsection (B) continues, "An electric utility may require a retail electric generation service provider to furnish financial and other information contained in its tariff to determine the type and/or amount of the financial instrument required for compliance with paragraph (A) of this rule."

6. Collateral requirements are a fundamental part of doing business in AEP Ohio's service territory. AEP Ohio's Commission-approved Supplier Tariff contains the credit requirements for CRES providers in AEP Ohio's service territory. It states in relevant parts as follows:

Section 6. General Provisions for Competitive Service Providers¹

A CSP must comply with all rules and requirements established by the Commission pertaining, but not limited to, general business practices, information disclosure, customer contact recession, dispute resolution, customer authorization for switching suppliers, termination of customer contracts, information

¹ Under paragraph 3 of the Supplier Tariff, CRES Providers, Meter Service Providers, Meter Data Management Agents, and Billing Agents are collectively referred to as Competitive Service Providers.

exchange and supply obligations. A CSP must also agree to comply with all applicable provisions of the Company's open access distribution service schedules, Supplier Terms and Conditions of Service, Terms and Conditions of Open Access Distribution Service, and the applicable Open Access Transmission Tariff. A CSP must also comply with the National Electrical Safety Code if applicable to the service provided by the CSP.

Section 9. CRES Providers Registration with the Company

CR[E]S Providers desiring to provide Competitive Retail Electric Service to customers located within the Company's Service Territory must also register with the Company. The following information must be provided in order to register with the Company:

* * * *

d. An appropriate financial instrument to be held by the Company against CRES Provider defaults and a description of the CRES Provider's plan to procure sufficient electric energy and transmission services to meet the requirements of its firm service customers.

Section 10. CRES Provider Credit Requirements

The Company will apply, on a non-discriminatory and consistent basis, reasonable financial standards to assess and examine a CRES Provider's creditworthiness. These standards will take into consideration the scope of operations of each CRES Provider and the level of risk to the Company. This determination will be aided by appropriate data concerning the CRES Provider, including load data or reasonable estimates thereof, where applicable.

In considering a CRES Provider's creditworthiness, the Company will review whether the CRES Provider has, and maintains, stable, or better, investment grade senior unsecured (un-enhanced) long-term debt ratings from any two of the following three rating agencies:

Standard & Poors	BBB- or higher
Moody's Investors' Services	Baa3 or higher
Fitch	BBB- or higher

The CRES Provider also will provide the Company, for its creditworthiness determination, with its or its parent's most recent independently-audited financial statements, or Form 10K (if

applicable), for the last three fiscal years, and its or its parent's most recent quarterly unaudited financial statements or Form 10-Q (if applicable).

The Company shall make reasonable alternative credit arrangements with a CRES Provider that is unable to establish its creditworthiness or with those CRES Providers whose credit requirements exceed their allowed unsecured credit limit. The CRES Provider may choose from any of the following credit arrangements, which must be in an acceptable format and from an acceptable issuer to the Company: a guarantee of payment; an irrevocable Letter of Credit; a Prepayment Account established with the Company; a Surety Bond, including the Company as a beneficiary; or other mutually agreeable security or arrangement. The alternate credit arrangements may be provided by a party other than the CRES Provider, including one or more ultimate customers. The fact that a guarantee of payment, irrevocable Letter of Credit, Prepayment Account, or Surety Bond is provided by a party other than the CRES Provider shall not be a factor in the determination of the reasonableness of any alternative credit arrangement, as long as such party and the related credit arrangements meet the Company's standard credit requirements. The amount of the security required must be and remain commensurate with the financial risk placed on the Company by that CRES Provider, including recognition of that CRES Provider's performance.

The Company will make available its credit requirements upon request. A CRES Provider may appeal the Company's determination of credit requirements to the Commission or seek Staff mediation as to any dispute.

7. The tariff's credit requirements appropriately flow through to the EDU/CRES Agreement. Section 3.6 of the EDU/CRES Agreement between AEP Ohio and FES provides, "Each Party represents and warrants that it is and shall remain in compliance with all applicable laws and tariffs, including applicable rules and regulations of the Commission." Section 4.3, in relevant part, states: "The CRES Provider shall . . . (e) if required, provide to the Company, and maintain during the term of this Agreement, the type (in the format and amount specified by the Company) of financial security (i.e. collateral) required by the Company to safeguard the

Company and its customers from losses or additional costs incurred due to any non-performance on the part of the CRES Provider. The foregoing requirements represent conditions precedent to the Company's obligation hereunder." Thus, the Commission-approved tariff properly recognizes that AEP Ohio's obligations are dependent upon each CRES provider fulfilling the collateral obligations.

8. Consistent with these relevant rule, tariff, and contractual provisions, AEP Ohio developed CRES Energy Supply Credit Requirements. Generally, under the requirements, if a CRES provider has an investment grade credit rating it will be provided a line of credit consistent with that rating. If a CRES provider or its guarantor either does not have an investment grade rating or it has exceeded its set credit limit, it can post collateral consistent with the Tariff (guarantee of payment, irrevocable letter of credit, prepayment account with Company, surety bond, etc.). A summary of CRES Energy Supply Credit Requirements is attached hereto at Attachment B. All CRES providers in AEP Ohio's service territory follow the CRES Energy Supply Credit Requirements.

9. These requirements are straightforward and can be broken into two steps: (1) determining a CRES provider's creditworthiness in connection with applying a credit limit; and (2) calculating the risk in a manner so that the amount of the security required remains commensurate with the financial risk placed on the Company by that CRES Provider. The attached affidavit by Ms. Lisa Groff, Managing Director of Enterprise and Credit Risk Management, addresses the first step (Attachment C), and the attached affidavit by Mr. William Allen, Director of Regulatory Case Management, addresses the second step (Attachment D).

Step 1: Creditworthiness and credit limits

10. AEP Ohio evaluates the creditworthiness of a CRES provider or its guarantor, based on its most recent senior unsecured debt rating (or, if unavailable, its corporate or issuer rating). AEP Ohio also looks at the scope of operations of a CRES provider and the level of risk it presents to AEP Ohio. If a provider has investment grade ratings from two of the three major credit ratings agencies (Standard & Poor's, Moody's, or Fitch) it may be granted unsecured credit up to a threshold determined by AEP Credit Risk Management. These creditworthiness standards are applied in a non-discriminatory manner.

11. FES has investment grade ratings from two of the major credit ratings agencies, and so it qualified for a specific amount of unsecured credit. The amount of unsecured credit is based on a calculation of the lesser of (i) 2% of tangible net worth, which is calculated as total net worth less the value of any intangibles assets, or (ii) a maximum unsecured monetary limit of \$30,000,000 for CRES providers that have the same credit rating as FES. In FES's case, the lesser amount is a maximum unsecured monetary limit of \$30,000,000.

12. As explained in Ms. Groff's affidavit, based on her experience identifying and managing risk in the electric industry, she attests that AEP Ohio's CRES creditworthiness determinations and associated credit limits are reasonable based on industry practice. She also states that in addition to the credit limits being common in the industry and reasonable, she has applied the requirements in a uniform and non-discriminatory manner to all CRES providers since the beginning of competitive retail electric service in Ohio.

Step 2: Calculating AEP Ohio's financial exposure for default by individual CRES providers

(Usage x Price x Number of Days)

13. As explained in Mr. Allen's affidavit, AEP Ohio calculates the amount of an established CRES provider's collateral requirement by (1) taking the CRES provider's average of the last two months of energy usage; and (2) multiplying those amounts by the next July forward on peak and off peak index prices, as applicable, based on a generally accepted industry price index for wholesale power delivered to the Company's load zone within the RTO, (3) multiplying that amount by 30 days of exposure; and (4) subtracting therefrom the amount of the CRES Provider's allowed unsecured credit limit, if any, which is based on credit ratings, performance and tangible net worth of the CRES provider. Mr. Allen further explains that the default exposure to AEP Ohio and the financial security calculation supporting the collateral call relate strictly to the time period between a CRES provider's default and the date the affected customers either return to SSO service or take service from another CRES provider. He states that, based on customer notice requirements in AEP Ohio's tariff and the billing cycle, the average time for that default period is approximately 30 days and that is why AEP Ohio's collateral calculation for energy incorporates that period of time.

14. In April 2013, FES's credit exposure exceeded its unsecured credit limit, and AEP Ohio requested collateral. AEP Ohio made several requests for the collateral and attempted to negotiate a resolution. Over a dozen CRES providers currently post collateral (cash, surety, etc.) without relying on an unsecured line of credit as FES uses and is extended under CRES Energy Supply Credit Requirements. (See Groff Affidavit at paragraph 10.) FES, however, insists that it should not be responsible for *any* of the increased risk associated with its increasing energy load in AEP Ohio's territory.

15. The Commission's rules, AEP Ohio's Supplier Tariff, as well as the EDU/CRES Agreement indicate that AEP Ohio is entitled to a prompt resolution. O.A.C. 4901:1-24-012(I)(10) specifically lists a CRES's failure to maintain appropriate default security as a basis for the Commission to suspend, rescind, or conditionally rescind a CRES provider's certificate. Further, O.A.C. 4901:1-24-08(C) acknowledges that a utility can file for relief at the Commission if a CRES provider fails to maintain sufficient financial security. Paragraph 25 of the Supplier Tariff (PUCO No. 20, Sheet No. 103-44D) provides that AEP Ohio can file a written request with the Commission for authorization to terminate or suspend the CRES agreement, either after issuance of a Notice of Default or at the same time – but a Notice of Default must be issued as a precursor to filing a written request. AEP Ohio issued that notice on May 31, 2013. (Attachment A.) The EDU/CRES Agreement requires FES (in Paragraph 4.3) to “provide to the Company, and maintain during the term of this Agreement, the type (in the format and amount specified by the Company) of financial security (*i.e.*, collateral) required by the Company to safeguard the Company and its customers from losses or additional costs incurred due to any non-performance on the part of the CRES providers.” In fact, that paragraph also provides that a CRES provider's compliance with the financial security obligation is a condition precedent to the AEP Ohio's obligations under the EDU/CRES Agreement. AEP Ohio has an undisputed right to a prompt resolution of FES's failure to comply with terms of the contract signed by FES.

REQUEST FOR RELIEF

16. AEP Ohio's tariff states that after a notice of default has been served on a CRES provider, the Company may request authorization from the Commission to terminate or suspend the service agreement. (Supplier Tariff at Paragraph 25.) If the Commission does not act within

ten (10) business days upon receipt of the request, the Company's request will be deemed authorized on the eleventh (11th) business day. (Id.) The Commission approved this automatic-authorization language because a CRES provider defaulting on its obligations under its EDU/CRES Agreement is a material failure on the part of the CRES provider. AEP Ohio's obligations are conditioned on CRES providers fulfilling their collateral obligations. The Commission-approved automatic-authorization language also recognizes that AEP Ohio has an obligation to enforce the collateral requirement consistently and that a defaulting CRES provider continues to increase the financial risk it places on the Company and its customers.

17. Because FES has failed to satisfy a material obligation under the EDU/CRES Agreement, the Commission's rules, and the Company's Tariff, FES is in default and the Commission has authority and should grant the following relief:

- I. Order FES to comply with the collateral requirement within 10 business days of this filing (Date of filing is Day 0). Commission authorization is deemed granted on Business Day 11.²
- II. If as of Business Day 11 FES has not complied with the Commission order, then the Commission authorizes AEP Ohio to immediately suspend the EDU/CRES Agreement until FES fulfills its collateral obligations under the contract and, thus, cures its current default status. During the suspension, the Commission should order FES to continue providing all services it is obligated to provide under contract to its existing customers, but not advertise to, offer, or contract to provide any new CRES to existing customers nor

² The 11th Business Day after this filing is July 3, 2013.

advertise, offer, or contract to provide any CRES to potential customers within AEP Ohio's service territory during the suspension.

- III. If by close of Business Day 30 FES has not complied with the Commission order, then the Commission will suspend, rescind, or conditionally rescind FES's CRES certificate for failure to maintain sufficient financial security with an electric utility as required by O.A.C. 4901:1-24-08 or because the Commission finds that FES otherwise failed in a material way to adhere to requirements contained in an electric utility's tariff governing supplier requirements approved by the Commission (O.A.C. 4901:1-24-12).
- IV. The Company will work with Staff to develop a notice to any retail customer affected by the relief outlined above.

18. Absent action by the Commission within the timeline outlined above, AEP Ohio reserves its right to take any actions authorized by the tariff and EDU/CRES Agreement.

ALTERNATIVE RELIEF

19. If the Commission prefers an alternative to enforcing the Supplier Tariff as written, including the automatic-authorization procedure, the Commission could grant a limited waiver of certain provisions within Section 31, subsection 4 of the Supplier Tariff, which contain switching timelines that apply to both CRES provider defaults and regular customer choice switching elections. Those switching timelines are tied to regular billing cycles and notice provisions that may not be desirable or necessary in the extraordinary circumstance where a CRES Provider defaults due to non-delivery. Although the waiver would be granted in the context of resolving this existing collateral dispute between AEP Ohio and FES, in order for AEP Ohio to treat all CRES Providers within its service territory in a non-discriminatory

manner, the limited waiver applicable only to CRES Provider defaults due to non-delivery should be authorized for application by AEP Ohio to all CRES Providers, not merely FES.

20. As explained above and in Mr. Allen's affidavit (Attachment D), under the existing tariff provisions, a return to SSO can occur, at the earliest, at the next regularly scheduled meter reading date so long as such request (or default) has occurred at least 12 calendar days prior to a scheduled meter reading date. In the event that such request (or default) occurs less than 12 calendar days prior to the next scheduled meter reading date, the return to SSO will not occur until the subsequent scheduled meter reading date. Similarly, if as a result of a CRES Provider default a customer chooses an alternative CRES Provider, that customer will not take service from that alternative CRES provider until the customer's next regularly scheduled meter reading date subject to the same notice requirements. This delay in effectuating customer switching in the circumstance where a CRES Provider defaults due to non-delivery creates financial exposure to the Company as the Company is incurring a cost to serve these customers while having no tariff provision to recover such costs. This result drives the CRES Providers' collateral requirements imposed by AEP Ohio consistent with the terms of its existing Supplier Tariff.

21. To reduce exposure and related collateral requirements, the Company would need a more efficient process that reduces the number of days it takes to switch an affected customer to SSO service. If the Commission chooses to pursue this alternative relief instead of enforcing the current Supplier Tariff, then the Company proposes 15 calendar days from CRES Provider non-delivery default as the deadline for completing all affected customer switches. The 15-day period takes into account that AEP Ohio may not receive immediate notice of the non-delivery default from PJM or the CRES Provider. Fifteen days provides enough time for the Company to

complete the billing inquiries necessary to issue a prorated bill based on the affected customer's prior usage. A prorated bill to cover the partial period before the customer is switched to the SSO is reasonable because conducting actual meter reads for all the affected customers would, depending on how many customers the defaulting CRES Provider has, unnecessarily increasing costs. Moreover, 15 days would cut the Company's exposure in half, in turn, substantially reduce CRES Providers' collateral requirements.

22. The Company recognizes that under the existing Supplier Tariff an affected customer could choose a new CRES Provider instead of automatically reverting to the SSO; similarly, an affected customer could affirmatively elect to return to the SSO. Both of these switching options by the customer would trigger the terms and conditions applicable to an enrollment with a CRES Provider and a 7 calendar day rescission period. Under the very limited circumstance of a CRES Provider non-delivery default, however, it is appropriate to default all affected customers back to the SSO within 15 days. These customers can select a new CRES Provider anytime thereafter, potentially as soon as the start of the next billing cycle following the end of the 15-day period, and the minimum stay requirement would not apply.

23. If the Commission decides not to enforce the current Supplier Tariff and, instead, decides to grant a waiver of Section 31, subsection 4 of the Supplier Tariff, the Commission would be approving the return of, and the Company will be authorized to return, all affected customers in a CRES Provider non-delivery default scenario to the SSO within 15 calendar days after default. Waiving these tariff requirements provides the necessary clarity needed to reduce the days input to the risk exposure and collateral requirement calculations.

CONCLUSION

The Commission should provide the relief stated above. In accordance with Paragraph 25 of the existing Supplier Tariff, if the Commission does not act within ten (10) business days upon receipt of this request, the Company's request will be deemed authorized on the eleventh (11th) business day. Thus, the Commission can either allow the Supplier Tariff to operate as approved, affirmatively grant the above-listed Request for Relief, or grant the limited waiver outlined above in the alternative relief section, which will have the effect of resolving the existing dispute with FES.

Respectfully submitted,

Steven T. Nourse (ACB)


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Counsel for Ohio Power Company

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and accurate copy of the foregoing document was served this 18th day of June, 2013 by electronic mail and certified mail upon counsel for FirstEnergy Solutions, Inc.

 (ACF)
/s/ Steven T. Nourse
Steven T. Nourse

Mark A. Hayden
FirstEnergy Corp.
76 South Main Street
Akron, Ohio 44308



Legal Department

American Electric Power
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Columbus, OH 43215-2399
AEP.com

May 31, 2013

VIA OVERNIGHT DELIVERY AND E-MAIL

Sharon L. Noewer
FirstEnergy Solutions Corp.
Attn: FES Competitive Market Policies
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Akron, Ohio 44320

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Jacob McDermott
FirstEnergy Corp.
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Akron, Ohio 44308

Re: **Notice of Default -- Electric Distribution Company/
Competitive Retail Electric Service Provider Agreement for Ohio
Power Company's Ohio Retail Access Program**

Dear Ms. Noewer and Mr. McDermott:

FirstEnergy Solutions Corp. (FES) has failed to comply with two separate demands for collateral made by Ohio Power Company (AEP Ohio) in connection with the Ohio CRES activity of FES pursuant to the Electric Distribution Company/Competitive Retail Electric Service Provider Agreement between FES and AEP Ohio (EDU/CRES Agreement). FES was obligated to post collateral under the most recent demand by no later than May 15, 2013 in the amount of [REDACTED]. As a result, FES is currently in default of its obligations under the EDU/CRES Agreement.

Representatives of AEP Ohio have met with FES, both in person and over the phone, in an attempt to resolve this matter. AEP Ohio, in an attempt to compromise, incorporated specific parameters and methods requested by FES in the exposure calculation used to determine the amount of the most recent collateral call. To date, the most recent collateral call that was due on May 15, 2013 in the amount of [REDACTED] has not been satisfied.

As further explained below, AEP Ohio has a right to demand collateral from FES under the EDU/CRES Agreement, the Commission's rules (OAC Chapter 4901:1-24) as well as its Commission-approved Supplier Tariff (PUCO No. 20, Sheet Nos.

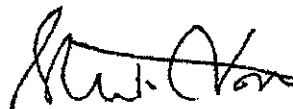
103-27D through 103-44D). Each day that passes without resolution of this matter unlawfully and unreasonably exposes AEP Ohio to financial risk, especially given that FES continues to actively market and switch additional retail customers in AEP Ohio's service territory.

AEP Ohio is entitled to establish and implement its credit policies. *See* OAC 4901:1-24-08. Under Section 4.3 (e) of the EDU/CRES Agreement for AEP Ohio's Ohio Retail Access Program dated December 19, 2012 (with multiple subsequent addendums), FES agreed to provide to AEP Ohio, and maintain during the term of the EDU/CRES Agreement, financial security (*i.e.*, collateral) in an amount specified by the AEP Ohio to safeguard the Company and its customers from losses or additional costs incurred due to any non-performance on the part of the CRES Provider. This requirement, amongst others, is a condition precedent to AEP Ohio's obligations under the EDU/CRES Agreement. Providing FES with \$30,000,000 in unsecured credit for its Ohio CRES activity, taking into consideration current credit ratings and financials, is both reasonable and appropriate. Consistent with the provisions of Section 4.3(e) of the EDU/CRES Agreement, AEP Ohio respectfully requests that the current default in meeting the collateral call of [REDACTED] be remedied by no later than June 7, 2013.

Absent full compliance fulfilling its obligation to meet the collateral call by June 7, 2013, AEP Ohio reserves the right under Paragraph 25 of its Supplier Tariff and OAC Rules 4901:1-24-08 and 4901:1-24-12, as well as any other available remedy, to file a written request with the Commission to require immediate compliance with the collateral call, suspend further enrollments of customers on behalf of FES or impose such other remedies that may be available under the EDU/CRES Agreement, the Supplier Tariff and/or OAC Chapter 4901:1-24.

In the interim time period leading up to June 7, 2013, AEP Ohio will contact the Commission Staff to explore whether mediation can be conducted to in an attempt to resolve this matter without formal litigation.

Respectfully Submitted,



Copies via hand-delivery to:

Chairman Todd A. Snitchler
Commissioner Steven D. Lesser
Commissioner Lynn Slaby
Commissioner M. Beth Trombold
Chief of Staff Eric Weldele
John Williams, Director of the Service Monitoring and Enforcement Department
Jodi Bair, Director of the Utilities Department
Angela Hawkins, Director of the Legal Department
William L. Wright, Chief of the Attorney General's Public Utilities Section

CRES Energy Supply Credit Requirements:

AEP Ohio evaluates the creditworthiness of an Energy Supplier or its Guarantor, based on its most recent senior unsecured debt rating (or, if unavailable, its corporate or issuer rating). AEP Ohio also looks at the scope of operations of a CRES Provider and the level of risk it presents to AEP Ohio.

Based upon an evaluation of financial information provided with the registration application, AEP Ohio will determine whether a supplier is creditworthy. If a provider has investment grade ratings from two of the three major credit ratings agencies (Standard & Poor's, Moody's, or Fitch) it may be granted unsecured credit up to a threshold determined by AEP Credit Risk Management. AEP's creditworthiness standards are applied in a non-discriminatory manner.

Unsecured credit is established in accordance with the following table taking into account the lesser of:

- the percentage of Tangible Net Worth (Column B), corresponding to a counterparty's Credit Rating (Column A), multiplied by the counterparty's Tangible Net Worth; or
- the Maximum Unsecured Monetary Limit which corresponds to the Counterparty's Credit Rating.

<u>Column A</u> Credit Rating of the CRES or its Guarantor S&P/Moody's/Fitch ¹	<u>Column B:</u> Percentage of Tangible Net Worth	<u>Column C</u> Maximum Unsecured Monetary Limit
A-/A3/A- and above	4%	\$75,000,000
BBB+/Baa1/BBB+	3%	\$50,000,000
BBB/Baa2/BBB	3%	\$40,000,000
BBB-/Baa3/BBB-	2%	\$30,000,000

Tangible Net Worth is calculated as total net worth less the value of any intangibles or assets as determined by Credit Risk Management (ie. and without limitation goodwill, intercompany notes receivables, officer notes receivable, etc.).

Summary of Initial Credit Calculation for CRES Energy Supply collateral requirement:

AEP Ohio calculates a CRES Provider's collateral requirement by multiplying thirty (30) days of the CRES Provider's maximum anticipated peak summer energy usage times the next July forward index price, as established by a generally accepted industry price index for wholesale power delivered to the AEP Ohio's load zone within the RTO, and subtracting therefrom the amount of the CRES Providers's unsecured credit limit. The initial collateral requirement shall be compared against actual usage and the greater of the estimate or actual usage shall be applied until two months of history is established. The Collateral requirement is rounded up to the nearest integer multiple of \$1,000.

¹ If split rated, the lowest rating will be used.

Summary of Ongoing Credit Calculation for CRES Energy Supply Collateral Requirement:

On an ongoing monthly basis, AEP Ohio will calculate the amount of the CRES Provider's collateral requirement by taking the CRES Provider's average of the last two months of energy usage by on peak and off peak activity and multiplying those amounts by the next July forward on peak and off peak index prices, respectively, based on a generally accepted industry price index for wholesale power delivered to the Company's load zone within the RTO², and subtracting therefrom the amount of the CRES Provider's allowed unsecured credit limit. The collateral requirement shall be rounded up to the nearest integer multiple of \$1,000. AEP Ohio will monitor collateral requirements and credit exposure. Any CRES Provider's whose credit exposure exceeds its credit limit will be required to provide additional collateral within three (3) business days of AEP Ohio's request.

A CRES Provider's credit may be evaluated by AEP Ohio from time to time as warranted by changes in circumstance. Unanticipated market movements, demands, and economics may cause a CRES Provider's exposures to exceed prescribed credit limits or collateral originally in place. Additional collateral may be required due to a degradation of credit rating or repayment ability of a CRES Provider.

² AEP Ohio reserves the right to modify or change the prices used in the calculation, but AEP Ohio will initially use the ICE cleared futures for July 2013 AD HUB RT peak futures contract MSO times the CRES Provider's peak usage and use the ICE cleared futures for July 2013 AD HUB RT Off-peak futures contract ADO multiplied by the CRES Provider's off peak usage.

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THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Ohio Power)	
Company's Request for)	
Authorization to Suspend its)	Case No. 13-1427-EL-UNC
Service Agreement with)	
FirstEnergy Solutions Corp.)	

AFFIDAVIT OF LISA GROFF

STATE OF OHIO)	
)ss:	
COUNTY OF FRANKLIN)	

Lisa Groff, being first duly sworn, states as follows:

1. I am over eighteen years of age and am competent to testify regarding the matters set forth herein.

2. I submit this Affidavit in support of Ohio Power Company's request for authorization to suspend its service agreement with FirstEnergy Solutions Corp. in the above-captioned case.

3. I am currently employed at American Electric Power Service Corporation ("AEP") as Managing Director of Enterprise and Credit Risk Management. I have been in this position since 2010. I joined AEP's credit risk management department in 1999 as a Credit Manager. I was promoted to Director of Credit Risk Management in 2002 and served in that capacity until 2004 when I was promoted to Managing Director of Credit Risk Management. From 2005 to 2010, I was responsible for the strategic direction and establishing the overall vision for the credit risk management function of the corporation. I

primarily oversaw the administration of the company's credit risk management policy for all energy markets the corporation participates in.

4. In 2010 my title changed to Managing Director of Enterprise and Credit Risk Management, and I assumed additional responsibilities. These responsibilities included developing the collective risk assessment of the Company by gathering and analyzing information from the functional business units and preparing risk materials for the Executive Committee and the Board to assist them in evaluating, understanding and responding to the collective risk of the Company. This is in addition to providing the strategic direction and establishing the overall vision for the credit risk management function of the corporation.

5. In addition to my AEP career, I worked for Cinergy Corp as a Senior Credit Analyst from 1997 through 1999, where I established the Credit Risk Management function for the regulated and non-regulated energy trading companies; developed and administered policies and procedures relating to the Credit Risk Management function; designed reports to monitor credit exposure and calculate a credit reserve; approved counterparties for derivatives and commodity trading; and assisted the energy delivery business unit in identifying credit risk in preparation for deregulation. Prior to that, I worked as a Credit Supervisor for The Eastern Group, Inc. from 1995-1997, where I supervised the processing of credit applications for industrial end-users and recommended open lines of credit, and I analyzed financial statements and made recommendation of credit and collateral thresholds for counterparties including marketing companies, producers, and financial institutions. And from 1991 through 1995 I worked in the credit departments of two banks – National Cooperative Bank and Midlantic National Bank – where I obtained my basic training in credit.

6. I earned a bachelor's degree in business administration from Mary Washington College, Fredericksburg, VA, in 1991. I have been a member of the International Energy Credit Association since 1996.

7. When retail competition began in AEP Ohio's service territory, I was responsible for assessing the credit risk to the Company and developing AEP Ohio's CRES Energy Supply Credit Requirements. To set the CRES creditworthiness standards and determine exposure to the Company, I participated in several working groups, which contained relevant subject matter experts within the Company.

8. Under AEP Ohio's CRES credit requirement, if a the credit rating of the CRES or its guarantor is BBB-(S&P)/Baa3(Moody's)/BBB-(Fitch), then the credit limit is established taking into account the lesser of 2% Tangible Net Worth (TNW) or \$30,000,000. Based on my experience identifying and managing risk in the electric industry, I can attest that AEP Ohio's CRES credit limits are reasonable based on industry practice. Generally speaking, the calculation of credit risk exposure may change depending on the energy market, but the standards used to determine credit limits remain relatively the same within the industry.

9. While the product and market as well as calculation of exposure is different in the SSO Supply Agreements used by EDUs with wholesale suppliers, these agreements demonstrate that credit limits are set commensurate with credit ratings. SSO Supply Agreements also confirm that establishing an upper limit for credit exposure is a standard practice and helps ensure that the utility's exposure to any supplier, potentially across multiple supplier channels, does not become excessive either alone or in the aggregate. This can be confirmed by looking at the credit matrices used by other Ohio EDUs in their SSO Supplier Agreements.

10. For example, in their Master SSO Supply Agreements used with wholesale suppliers, the FirstEnergy companies (The Cleveland Electric Illuminating Company, The Toledo Edison Company, and Ohio Edison Company) utilize a credit matrix that provides a credit limit *of the lesser of* 8% TNW or \$25,000,000 for a supplier or guarantor with a BBB- or Baa3 credit rating from S&P/Fitch or Moody's, respectively; and Duke Energy Ohio extends a maximum credit limit of 8% TNW or \$30,000,000 under similar parameters. (See Exhibits 1 at pp. 40-41 and 2 at p. 23). Thus, AEP Ohio's credit limit of the lesser of 2% TNW or \$30,000,000 is certainly well within industry norm, and it is more generous than the FirstEnergy companies credit guidelines.

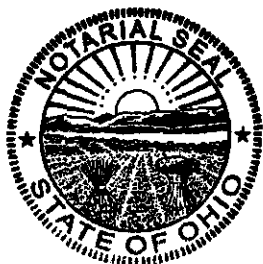
11. In addition to the credit limits being common in the industry and reasonable, AEP Ohio has applied the requirements in a non-discriminatory manner to all CRES providers since the beginning of competitive retail electric service in Ohio. Over a dozen CRES providers have posted collateral (cash, surety, etc.) without relying on an unsecured line of credit like FES is extended under CRES Energy Supply Credit Requirements.

FURTHER AFFIANT SAYETH NAUGHT.

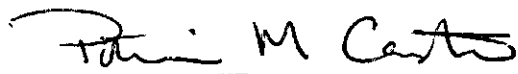


Lisa Groff

Sworn to and subscribed before me this 18th day of June, 2013.



Patricia M. Castro, Attorney At Law
NOTARY PUBLIC - STATE OF OHIO
My commission has no expiration date
Sec. 147.03 R.C.



Notary Public

ATTACHMENT A-1
MASTER STANDARD SERVICE OFFER (“SSO”)
SUPPLY AGREEMENT
BETWEEN
THE CLEVELAND ELECTRIC ILLUMINATING COMPANY
THE TOLEDO EDISON COMPANY
OHIO EDISON COMPANY
AND
AEP ENERGY PARTNERS, INC.

6.6 Credit Limit

The following criteria constitute the Companies' creditworthiness requirements for the SSO Suppliers to cover the Total Exposure Amount:

(a) for SSO Suppliers to be granted a Credit Limit without delivering a Total Exposure Amount Guaranty or other performance assurances acceptable to the Companies, in the case of an SSO Supplier organized under the laws of the United States, the SSO Supplier must (1) be rated by at least one of the following rating agencies: S&P, Moody's, or Fitch, and (2) have a minimum senior unsecured debt rating (or, if unavailable, corporate issuer rating) equal to the Minimum Rating. If the SSO Supplier is rated by only two rating agencies, and the ratings are split, the higher rating will be used. If the SSO Supplier is rated by three rating agencies, and the ratings are split, the lower of the two highest ratings will be used; provided that, in the event that the two highest ratings are common, such common rating will be used. If the SSO Supplier and an Affiliate(s) are both winning bidders in the Solicitation for the provision of SSO Supply, then the SSO Supplier and the Affiliate(s) will proportionally share the maximum level of the Credit Limit using the highest rating as determined for each the SSO Supplier and the Affiliate(s). The maximum level of the Credit Limit to cover the Total Exposure Amount will be determined based on the following table:

Credit Rating of the SSO Supplier			Maximum Credit Limit (calculated as the lesser of the percentage of TNW and the Credit Limit Cap below)	
BBB+ and above	Baa1 and above	BBB+ and above	16%	\$75,000,000
BBB	Baa2	BBB	10%	\$50,000,000
BBB-	Baa3	BBB-	8%	\$25,000,000
BB+	Ba1	BB+	2%	\$10,000,000
BB	Ba2	BB	1%	\$5,000,000
BB-	Ba3	BB-	0.5%	\$5,000,000
Below BB-	Below Ba3	Below BB-	0%	\$0

The SSO Supplier will be required to post cash, letter of credit in an acceptable form as defined in Section 6.9(b) below (see standard format in Appendix D), or First Mortgage Bonds delivered or pledged as provided for in Section 6.9(c) below for the Margin due the Company as set forth in Section 6.7 of this Agreement; or

(b) for SSO Suppliers delivering a Total Exposure Amount Guaranty, in the case of a Guarantor organized under the laws of the United States, the Guarantor providing the Total Exposure Amount Guaranty must (1) be rated by at least one of the following rating agencies: S&P, Moody's, or Fitch, and (2) have a minimum senior unsecured debt rating (or, if unavailable, corporate issuer rating) equal to the Minimum Rating. If the Guarantor is rated by only two rating agencies, and the ratings are split, the higher rating will be used. If the Guarantor is rated by three rating agencies, and the ratings are split, the lower of the two highest ratings will be used; provided that, in the event that the two highest ratings are common, such common rating will be used. If the SSO Supplier and an Affiliate(s) are both winning bidders in the Solicitation for the provision of SSO Supply, then the Guarantor of the SSO Supplier and the Affiliate(s) will

proportionally share the maximum level of the Credit Limit using the highest rating as determined for each the Guarantor and the Affiliate(s). The maximum level of the Credit Limit to cover the Total Exposure Amount that could be granted based on the Total Exposure Amount Guaranty will be determined based on the following table:

Credit Rating of the Guarantor			Maximum Credit Limit (calculated as the lesser of the percentage of TNW and the Credit Limit Cap below)	
BBB+ and above	Baa1 and above	BBB+ and above	16%	\$75,000,000
BBB	Baa2	BBB	10%	\$50,000,000
BBB-	Baa3	BBB-	8%	\$25,000,000
BB+	Ba1	BB+	2%	\$10,000,000
BB	Ba2	BB	1%	\$5,000,000
BB-	Ba3	BB-	0.5%	\$5,000,000
Below BB-	Below Ba3	Below BB-	0%	\$0

(c) For an SSO Supplier or Guarantor, if applicable, that has not been organized under the laws of the United States, the following standards will apply:

(i) the SSO Supplier must supply such evidence of creditworthiness as to provide the Companies with comparable assurances of creditworthiness as applicable above for SSO Suppliers that have been organized under the laws of the United States; or

(ii) if the SSO Supplier is providing a Total Exposure Amount Guaranty, the Guarantor of an SSO Supplier must supply such evidence of creditworthiness as to provide the Companies with comparable assurances of creditworthiness as applicable above for Guarantors of SSO Suppliers that have been organized under the laws of the United States. The Companies may reject Total

Exposure Amount Guaranties from Guarantors that do not meet the creditworthiness requirements.

(d) All SSO Suppliers or Guarantors of SSO Suppliers, if applicable, that have not been organized under the laws of the United States must, in addition to all documentation required elsewhere in this Section 6.6, supply the following to the Companies:

(i) for an SSO Supplier: (1) a legal opinion of counsel qualified to practice in the foreign jurisdiction in which the SSO Supplier is organized that (A) the SSO Supplier is duly incorporated and existing in such foreign jurisdiction; (B) this Agreement is the binding and enforceable obligation of the SSO Supplier in such foreign jurisdiction and does not violate any local law or the SSO Supplier's organizational or governing documents; and (C) all authorizations, approvals, consents, licenses, exemptions or other requirements of governmental, judicial or public bodies in such foreign jurisdiction have been obtained, and all execution formalities have been duly completed, necessary for the enforcement and validity of the Agreement and the performance by the SSO Supplier of its obligations hereunder; and (2) the sworn certificate of the corporate secretary (or similar officer) of such SSO Supplier that the Person executing the Agreement on behalf of the SSO Supplier has the authority to execute the Agreement and that the governing board of such SSO Supplier has approved the execution of the Agreement. The Companies will have full discretion, without liability or recourse to the SSO Supplier, to evaluate the sufficiency of the documents submitted by the SSO Supplier; or

(ii) for the Guarantor of an SSO Supplier: (1) a legal opinion of counsel qualified to practice in the foreign jurisdiction in which the Guarantor is organized that (A) the Guarantor is duly incorporated and existing in such foreign jurisdiction; (B) the Guaranty is the binding and enforceable obligation of the Guarantor in such foreign jurisdiction and does not violate any local law or the Guarantor's organizational or governing documents; and (C) all authorizations, approvals, consents, licenses, exemptions or other requirements of governmental, judicial or public bodies in such foreign jurisdiction have been obtained, and all execution formalities have been duly completed, necessary for the enforcement and validity of the Guaranty and the performance by the Guarantor of its obligations thereunder; and (2) the sworn certificate of the corporate secretary (or similar officer) of such Guarantor that the Person executing the Guaranty on behalf of the Guarantor has the authority to execute the Guaranty and that the governing board of such Guarantor has approved the execution of the Guaranty. The Companies will have full discretion, without liability or recourse to the Guarantor or the SSO Supplier, to evaluate the sufficiency of the documents submitted by such Guarantor.

For an SSO Supplier with a Total Exposure Amount Guaranty, the SSO Supplier will be granted a Credit Limit up to the amount of the Total Exposure Amount Guaranty, but not exceeding the Credit Limit shown in the table above. The Total Exposure Amount Guaranty shall be provided to the Companies on or prior to the Effective Date, but may be modified in any amended or substitute Total Exposure Amount Guaranty provided to the Companies during the Term. The SSO Supplier, however, may not increase or substitute its Total Exposure Amount Guaranty for the purpose of increasing

its applicable Credit Limit during the time period after the Companies have made a demand of the SSO Supplier to cover Margin (a "Margin Call") but before the SSO Supplier has provided the Companies with cash credited to a deposit account of the Companies or a Letter of Credit in accordance with Section 6.9, in each case in an amount equal to the Margin (the "Margin Collateral"). Notwithstanding anything herein to contrary, the SSO Supplier may increase the limit of its Total Exposure Amount Guaranty after satisfying a Margin Call. Upon the Companies' receipt of an amended or substitute Total Exposure Amount Guaranty increasing the limit of the Total Exposure Amount Guaranty, the SSO Supplier may request a return of Margin Collateral in accordance with Section 6.7. The SSO Suppliers will be required to post cash, letter of credit in an acceptable form as defined in Section 6.9(b) below (see standard format in Appendix D), or First Mortgage Bonds delivered or pledged as provided for in Section 6.9(c) below for the Margin due the Companies as set forth in Section 6.7 of this Agreement; or

(e) Under no circumstances shall the Credit Limit plus any other credit limit granted to the SSO Supplier under any Other SSO Supply Agreement exceed the Credit Limit hereunder.

6.7 Posting Margin Collateral and Return of Excess Collateral

If at any time and from time to time during the Delivery Period, Margin exists with respect to an SSO Supplier, then the Companies on any Business Day may make a Margin Call of such SSO Supplier; provided however that the Companies may not make a Margin Call unless the Margin exceeds the Minimum Margin Threshold. Upon receipt of a Margin Call, the applicable SSO Supplier shall provide to the Companies Margin

MASTER STANDARD SERVICE OFFER (“SSO”)
SUPPLY AGREEMENT
BY AND BETWEEN
DUKE ENERGY OHIO, INC.
AND
EACH SSO SUPPLIER SET FORTH ON ATTACHMENT A HERETO

hourly variations due to customer usage patterns. Such adjustment is further described in Attachment C-2. However, if market price quotations are not publicly available, Forward Market Prices will be determined by Duke Energy Ohio using any method which Duke Energy Ohio deems appropriate and which reasonably reflects forward market pricing conditions in PJM. The Mark-to-Market Exposure Amount will also be adjusted on a monthly basis to reflect changes in expected SSO Load by means of a volume adjustment factor. The Mark-to-Market Exposure Amount will be stated on a present value basis by discounting using the then-prevailing LIBOR rate. The methodology for calculation of the Mark-to-Market Exposure Amount is illustrated in the example (using hypothetical numbers) in Attachment C-2.

5.6 Credit Limit

The following criteria constitute Duke Energy Ohio's creditworthiness requirements for the SSO Suppliers to cover the Total Exposure Amount:

(a) for SSO Suppliers to be granted a Credit Limit without delivering a Total Exposure Amount Guaranty or other performance assurances acceptable to Duke Energy Ohio, in the case of an SSO Supplier organized under the laws of the United States, the SSO Supplier must (1) be rated by S&P, Moody's or Fitch, and (2) have a minimum senior unsecured debt rating (or, if unavailable, corporate or issuer rating) equal to the Minimum Rating. If the SSO Supplier is rated by only two rating agencies and the ratings are split, the lower rating will be used. If the SSO Supplier is rated by three rating agencies and the ratings are split, the lower of the two highest ratings will be used; provided that, in the event that the two highest ratings are common, such common rating will be used. The maximum level of the Credit Limit to cover the Total Exposure Amount will be determined based on the following table:

Credit Rating of the SSO Supplier or its Guarantor			Maximum Credit Limit (calculated as the lesser of the percentage of TNW and the applicable Credit Limit Cap below)	
S&P	Moody's	Fitch	Percentage of TNW	Credit Limit Cap
A- and above	A3 and above	A- and above	16%	\$60,000,000
BBB+	Baa1	BBB+	10%	\$50,000,000
BBB	Baa2	BBB	10%	\$40,000,000
BBB-	Baa3	BBB-	8%	\$30,000,000
BB+	Ba1	BB+	2%	\$5,000,000
BB	Ba2	BB	1%	\$2,500,000
BB- and below	Ba3 and below	BB- and below	0%	\$0

The SSO Supplier will be required to post cash or a Letter of Credit for the Margin due Duke Energy Ohio as set forth in Section 5.7 of this Agreement.

(b) for SSO Suppliers delivering a Total Exposure Amount Guaranty, in the case of a Guarantor organized under the laws of the United States, the maximum level of the Credit Limit to cover the Total Exposure Amount that could be granted based on the Total Exposure Amount Guaranty will be determined in accordance with subsection (a) above, with reference to the credit rating of the Guarantor, except that the Credit Limit granted to the SSO Supplier will not exceed the amount of the Total Exposure Amount Guaranty.

(c) for an SSO Supplier or Guarantor, if applicable, that has not been organized under the laws of the United States, the following standards will apply:

i. the SSO Supplier must supply such evidence of creditworthiness as to provide Duke Energy Ohio with comparable assurances of creditworthiness as applicable above for SSO Suppliers that have been organized under the laws of the United States; or

ii. if the SSO Supplier is providing a Total Exposure Amount Guaranty, the Guarantor of an SSO Supplier must supply such evidence of creditworthiness as to provide Duke

Energy Ohio with comparable assurances of creditworthiness as applicable above for Guarantors of SSO Suppliers that have been organized under the laws of the United States. Duke Energy Ohio may reject such Guarantors that do not meet the creditworthiness requirements.

(d) All SSO Suppliers or Guarantors of SSO Suppliers, if applicable, that have not been organized under the laws of the United States must, in addition to all documentation required elsewhere in this Section 5.6, supply the following to Duke Energy Ohio:

i. For an SSO Supplier: (1) a legal opinion of counsel qualified to practice in the foreign jurisdiction in which the SSO Supplier is organized that (A) the SSO Supplier is duly incorporated and existing in such foreign jurisdiction; (B) this Agreement is the binding and enforceable obligation of the SSO Supplier in such foreign jurisdiction and does not violate any local law or the SSO Supplier's organizational or governing documents; and (C) all authorizations, approvals, consents, licenses, exemptions or other requirements of governmental, judicial or public bodies in such foreign jurisdiction have been obtained, and all execution formalities have been duly completed, necessary for the enforcement and validity of this Agreement and the performance by the SSO Supplier of its obligations hereunder; and (2) the sworn certificate of the corporate secretary (or similar officer) of such SSO Supplier that the Person executing this Agreement on behalf of the SSO Supplier has the authority to execute this Agreement and that the governing board of such SSO Supplier has approved the execution of this Agreement. Duke Energy Ohio will have full discretion, without liability or recourse to the SSO Supplier, to evaluate the sufficiency of the documents submitted by the SSO Supplier; or

ii. For the Guarantor of an SSO Supplier: (1) a legal opinion of counsel qualified to practice in the foreign jurisdiction in which the Guarantor is organized that (A) the Guarantor is duly incorporated and existing in such foreign jurisdiction; (B) the Total Exposure Amount Guaranty is the binding and enforceable obligation of the Guarantor in such foreign jurisdiction and does not violate any local law or the Guarantor's organizational or governing documents; and (C) all authorizations, approvals, consents, licenses, exemptions or other requirements of governmental, judicial or public bodies in such foreign jurisdiction have been obtained, and all execution formalities have been duly completed, necessary for the enforcement and validity of the Total Exposure Amount Guaranty and the performance by the Guarantor of its obligations thereunder; and (2) the sworn certificate of the corporate secretary (or similar officer) of such Guarantor that the Person executing the Total Exposure Amount Guaranty on behalf of

the Guarantor has the authority to execute the Total Exposure Amount Guaranty and that the governing board of such Guarantor has approved the execution of the Total Exposure Amount Guaranty. Duke Energy Ohio will have full discretion, without liability or recourse to the Guarantor or the SSO Supplier, to evaluate the sufficiency of the documents submitted by such Guarantor.

For an SSO Supplier with a Total Exposure Amount Guaranty, the SSO Supplier will be granted a Credit Limit up to the amount of the Total Exposure Amount Guaranty, but not exceeding the Credit Limit shown in the table above. The Total Exposure Amount Guaranty shall be provided to Duke Energy Ohio on or prior to the Effective Date, but may be modified in any amended or substitute Total Exposure Amount Guaranty provided to Duke Energy Ohio during the Term. The SSO Supplier, however, may not increase or substitute its Total Exposure Amount Guaranty for the purpose of increasing its applicable Credit Limit during the time period after Duke Energy Ohio has made a demand of the SSO Supplier to cover Margin (a "Margin Call") but before the SSO Supplier has provided Duke Energy Ohio with cash credited to a deposit account of Duke Energy Ohio or a Letter of Credit in accordance with Section 5.9, in each case in an amount equal to the Margin (the "Margin Collateral"). Notwithstanding anything herein to contrary, the SSO Supplier may increase the limit of its Total Exposure Amount Guaranty after satisfying a Margin Call. Upon Duke Energy Ohio's receipt of an amended or substitute Total Exposure Amount Guaranty increasing the limit of the Total Exposure Amount Guaranty, the SSO Supplier may request a return of Margin Collateral in accordance with Section 5.7. The SSO Suppliers will be required to post cash or a Letter of Credit for the Margin due Duke Energy Ohio as set forth in Section 5.7 of this Agreement.

(e) Under no circumstances shall the Credit Limit plus any other credit limit granted to the SSO Supplier under any Other SSO Supply Agreement exceed the Credit Limit hereunder.

5.7 Posting Margin Collateral and Return of Excess Collateral

If at any time and from time to time during the Delivery Period, Margin exists with respect to an SSO Supplier, then Duke Energy Ohio on any Business Day may make a Margin Call of such SSO Supplier; provided however that Duke Energy Ohio may not make a Margin Call unless the Margin exceeds the Minimum Margin Threshold. Upon receipt of a Margin Call, the applicable SSO Supplier shall provide to Duke Energy Ohio Margin Collateral, which shall

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Ohio Power)	
Company's Request for)	
Authorization to Suspend its)	Case No. 13-1427-EL-UNC
Service Agreement with)	
FirstEnergy Solutions Corp.)	

AFFIDAVIT OF WILLIAM A. ALLEN

STATE OF OHIO)	
)ss:	
COUNTY OF FRANKLIN)	

William A. Allen, being first duly sworn, states as follows:

1. I am over eighteen years of age and am competent to testify regarding the matters set forth herein.
2. I submit this Affidavit in support of Ohio Power Company's request for authorization to suspend its service agreement with FirstEnergy Solutions Corp. in the above-captioned case.
3. I am employed by American Electric Power Service Corporation as Managing Director of Regulatory Case Management.
4. In my role as Managing Director of Regulatory Case Management I routinely review and provide explanations of the financial implications of the tariff provisions for the operating companies, including Ohio Power Company, of American Electric Power. I have reviewed Ohio Power Company's Terms and Conditions of Open Access Distribution Service as they relate to the financial risk imposed on the Company in the event of a

Competitive Retail Electric Service (CRES) Provider default. Based upon this review I have determined that Ohio Power Company has a financial risk associated with an established CRES Provider default that exceeds approximately 30 days of the expected energy needs of the customers being served by a CRES Provider times the expected energy price.

5. Section 31 of Ohio Power Company's Terms and Conditions of Open Access Distribution Service ("Supplier Tariff") addresses Supplier Terms and Conditions of Service, and Subsection 4 of the Supplier Tariff specifically addresses Changing Competitive Service Providers. This subsection states that, in the event of a CRES Provider default, the return to Standard Offer Service can only occur after the customer fails to choose an alternative CRES Provider and under the same terms and conditions applicable to an enrollment with a CRES Provider. Under those terms and conditions, such return to Standard Offer Service can occur, at the earliest, at the next regularly scheduled meter reading date so long as such request (or default) has occurred at least 12 calendar days prior to such scheduled meter reading date. This 12-day period is necessary in order for the Company to prepare a final bill and implement changes in its billing system required to switch a customer at the time of the customer's next billing cycle. In any event, if a request to switch (or the need to involuntarily switch a customer arises due to CRES default) occurs *less* than 12 calendar days prior to the next scheduled meter reading date, the return to Standard Offer Service will not occur until the subsequent scheduled meter reading date. Similarly, if as a result of a CRES Provider default a customer chooses an alternative CRES Provider, that customer will not take

service from that alternative CRES provider until their next regularly scheduled meter reading date subject to the same notice requirements.

In relevant part, the above-referenced tariff section states (emphasis added):

A customer's return to the Company's Standard Offer Service may be a result of customer choice, CRES Provider default, termination of a CRES Provider contract, opt out or termination of a governmental aggregation program, or CRES Provider withdrawal. A customer will be returned to Standard Offer Service only after the customer fails to choose an alternative CRES Provider.

A customer may contact the Company and request to return to the Company's Standard Offer Service. The return to Standard Offer Service or the applicable Market Based Service schedule shall be conducted under the same terms and conditions applicable to an enrollment with a CRES Provider. The customer will have a seven (7) calendar day rescission period after requesting the Company's Standard Offer Service. Provided the customer has observed the applicable notification requirements and the Company has effectuated the request to return to Standard Offer Service at least twelve (12) calendar days prior to the next regularly scheduled meter reading date, the customer will be returned to Standard Offer Service on the next regularly scheduled meter reading date.

6. Consequently, in the event of a CRES Provider default, under Ohio Power Company's Supplier Tariff a customer of the defaulting CRES Provider cannot be served by an alternative CRES Provider or served under the Company's Standard Service Offer for a period of 13 to 44 days after notification of such default depending upon how such default date relates to the date of the customers next regularly scheduled meter reading date. On average this equals 27.8 days plus the time it takes to notify the customer of such default. Such notice would take a minimum of two days. Conservatively, the average number of days, in total, during which AEP Ohio faces exposure when a CRES provider defaults is 30 days. As a result, AEP Ohio uses 30 days as the baseline period

when calculating its financial exposure for CRES default and, consequently, to calculate collateral requirements that must be posted with AEP Ohio by CRES providers.

7. In the event of a CRES Provider default, Ohio Power Company will continue to deliver electrical energy to the customers of the defaulting CRES provider during the period while the customer either chooses an alternative CRES Provider or decides not to choose an alternative CRES Provider and is returned to Standard Offer Service. During this period Ohio Power Company will procure – and will pay for - energy to serve these customers in the market and will not be serving these customers under a tariff rate for generation service. This results in the Company incurring a cost to serve these customers and having no tariff provision to recover such costs. The credit requirements for CRES providers that Ohio Power Company utilizes are intended to protect the Company — and ultimately its customers — from the costs of such default, which occurs through no fault of AEP Ohio.
8. AEP Ohio calculates the amount of an established CRES provider's collateral requirement by (1) taking the CRES provider's average of the last two months of energy usage; and (2) multiplying those amounts by the next July forward on peak and off peak index prices, as applicable, based on a generally accepted industry price index for wholesale power delivered to the Company's load zone within the RTO, (3) multiplying that amount by 30 days of exposure; and (4) subtracting therefrom the amount of the CRES Provider's allowed unsecured credit limit, if any, which is based on credit ratings performance and tangible net worth of the CRES provider. The collateral requirement is rounded up to the nearest integer multiple of \$1,000. As reflected in AEP Ohio's May

10, 2013 collateral call on FES (Exhibit 1), AEP Ohio calculated FES's collateral as follows:

March-April Average Peak Usage (MWh): [REDACTED]
July Forward Peak Price as of May 3 at AD Hub: \$56.85

March-April Average Off-Peak Usage (MWh): [REDACTED]
July Forward Off-Peak Price as of May 3 at AD Hub: \$33.50

[REDACTED] MWh x \$56.85/MWh) + [REDACTED] MWh x \$33.50/MWh) = \$ [REDACTED]

All collateral amounts are rounded up to the next increment of 1,000, leading to an exposure of \$ [REDACTED]. If you subtract the \$30,000,000 in unsecured credit extended to FES, the Company's exposure in excess of the threshold is [REDACTED]. FES, thus, is required to provide collateral in the amount of [REDACTED]. If the Commission adopted the alternative relief addressed in the petition, a 15-day switching period would cut the Company's exposure in half and, in turn, reduce FES's and other CRES Providers' collateral requirements significantly.

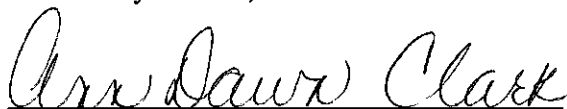
9. The cost of a Letter of Credit (LOC) for a borrower, such as FirstEnergy Solutions (FES), with a long-term debt credit rating of BBB-/Baa3/BBB- (Standard & Poor's/Moody's/Fitch) based on information available to the Company, is approximately \$17,500/\$1,000,000. Accordingly, the approximate cost to FES of obtaining a LOC to satisfy AEP Ohio's April 2013 collateral call of [REDACTED] would be approximately [REDACTED]. This equates to less than 1¢ per month for each typical residential account served.

FURTHER AFFIANT SAYETH NAUGHT.



William A. Allen

Sworn to and subscribed before me this 17th day of June, 2013.



Notary Public



Ann Dawn Clark
Notary Public-State of Ohio
My Commission Expires
November 16, 2015

[REDACTED]
[REDACTED]
05/10/2013 11:05 AM To [REDACTED]
cc [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
Subject
First Energy Solutions Corp. Ohio
CRES - Collateral Requirement

Gentlemen:

I am writing to inform you that, based on its activity as a CRES Provider in the AEP Ohio territory First Energy Solutions has exceeded the threshold for unsecured credit that Ohio Power can extend to a BBB-/Baa3 rated entity.

As you are aware, we have engaged in extensive discussions with various parties representing First Energy Solutions and other CRES providers in an effort to respond to suggestions that First Energy Solutions and others have raised regarding our collateral process. Our process now takes into account both peak and off-peak usage and pricing using July Futures EOD pricing as listed by ICE.

First Energy Solutions' calculated exposure is currently [REDACTED]. The inputs for the calculation are as follows:

March-April Average Peak Usage (mwh) [REDACTED]
July Forward Peak Price as of May 3 at AD Hub: \$56.85

March-April Average Off-Peak Usage (mwh) [REDACTED]
July Forward Off-Peak Price as of May 3 at AD Hub: \$33.50

[REDACTED] x 56.85) + [REDACTED] x 33.50) = [REDACTED]

All collateral amounts are rounded up to the next increment of 1,000, leading to an exposure of [REDACTED]

According to Ohio Power's internal credit policy, I am willing to extend \$30,000,000 in unsecured credit to First Energy Solutions, leaving an exposure in excess of the threshold of [REDACTED]. I am therefore requiring that First Energy Solutions provide collateral in the amount of [REDACTED] within three business days.

This requirement may be met through cash, letter of credit or surety bond. Please advise how you wish to comply. If you decide to wire cash, please notify me when the wire is sent. Feel free to contact me with any questions. Should you prefer to provide an alternative form of collateral as opposed to cash please visit the website below for our formats or you may send a format to me and I will have our legal staff review it.

<https://www.aepohio.com/service/choice/cres/Register.aspx>

Cash Wiring Instructions

Please remit wire to:

Acct Name: Ohio Power Company

Bank: Citibank, N.A.

399 Park Ave.

New York, NY 10043

ABA#:

Acct #:

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]