



**AEP Ohio**  
850 Tech Center Drive  
Gahanna, OH 43230

**Pablo A. Vegas**  
President and Chief  
Operating Officer

May 15, 2015

The Honorable Chairman Andre T. Porter  
The Honorable Commissioner Asim Z. Haque  
The Honorable Commissioner Lynn Slaby  
The Honorable Commissioner M. Beth Trombold  
The Honorable Commissioner Thomas W. Johnson

Re: *In the Matter of the Application Seeking Approval of Ohio Power Company's Proposal to Enter into an Affiliate Power Purchase Agreement for Inclusion in the Power Purchase Agreement Rider, Case No. 14-1693-EL-RDR; In the Matter of the Application of Ohio Power Company for Approval of Certain Accounting Authority, Case No. 14-1694-EL-AAM*

Dear Chairman and Commissioners:

On behalf of Ohio Power Company (dba AEP Ohio), I am pleased to present the Public Utilities Commission of Ohio (Commission) with an amended Power Purchase Agreement (PPA) proposal that provides long-term benefits for AEP Ohio's customers and Ohio's economy while also advancing important Ohio energy policies.

In AEP Ohio's *ESP III* case, the Commission accepted the legal and policy bases supporting the PPA Rider. Consistent with that decision, the Company is moving forward today by filing its Amended Application in this proceeding along with testimony in support of its updated PPA proposal. As is demonstrated through the Amended Application and supporting testimony, AEP Ohio's PPA proposal presents a significant financial hedge – representing 3,100 Megawatts of generating capacity which is over one-third of the Company's connected load – that can truly stabilize retail customer rates. The updated PPA proposal also yields substantial benefits to Ohio's economy – including both preservation of the tax and local economic benefits of the generation plants remaining operational as well as the economic development benefit of attracting new business to Ohio with stable electric rates. The Company projects in its filing that the amended PPA proposal could yield a direct financial benefit to customers through rate credits over the next ten years of \$574 million, with the potential of additional revenues from PJM's Capacity Performance that would boost the net benefit to \$770 million during the same time period. In addition, preserving operation of the Ohio-based generation units included in the Company's amended PPA proposal also has significant reliability benefits for the PJM grid that would avoid \$1.6 billion in transmission upgrades that would be needed if the units retire.

AEP Chief Executive Officer Nicholas Akins has publicly stated (a number of times but most recently during the April 23, 2015 American Electric Power Co., Inc. 1<sup>st</sup> Quarter 2015 Earnings Call) that it is critical for AEP to get a timely answer to the question of whether Ohio is interested in adopting AEP Ohio's PPA proposal. More specifically, in order to make strategic decisions regarding the future of these plants, including investments or a potential sale, AEP needs to get an answer on the PPA question first. Consistent with that desired outcome, AEP Ohio is requesting that the Commission resolve this case expeditiously and proposes a procedural schedule to facilitate a decision by October 1, 2015.

AEP Ohio submits that its proposal fulfills the essence of an Electric Security Plan by preserving Commission authority and control over the outcome of generation supply in Ohio. The ESP option was created by the General Assembly as a distinct alternative to the Market Rate Offer option – but the ESP can only have vitality if the discretion granted to the Commission is exercised to yield benefits for customers that are more favorable in the aggregate than a market rate offer. Conversely, if generation supply is procured for shopping and non-shopping customers purely based on the federally-operated PJM construct, the Commission would cede its regulatory authority and flexibility to the federal government – and customers will continue to face volatility and uncertainty for a long-term supply of electricity to power Ohio's economy. In sum, AEP Ohio urges the Commission to expeditiously consider and adopt the amended PPA request in order to capture long-term benefits associated with the proposal.

AEP Ohio appreciates the Commission's consideration of complex and challenging regulatory issues such as the PPA Rider proposal. The Company intends to continue partnering with the Commission to secure a reliable and stabilized supply of electricity to power Ohio's economy into a successful future. AEP Ohio is offering a long-term commitment through the PPA proposal to dedicate the generation assets to continued service to Ohio for the remaining economic lives of the power plants.

Respectfully submitted,



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Pablo A. Vegas  
President and Chief Operating Officer  
AEP Ohio

**This foregoing document was electronically filed with the Public Utilities**

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**Case No(s). 14-1693-EL-RDR**

Summary: Correspondence -Letter in reference to Power Purchase Agreement from Pablo A. Vegas, President and Chief Operating Office of AEP Ohio electronically filed by Mr. Steven T Nourse on behalf of Ohio Power Company