AEP OHIO EX. NO._____

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to §4928.143, Ohio Rev. Code, in the Form of an Electric Security Plan.	)))))	Case No.-16-1852-EL-SSO
In the Matter of the Application of Ohio Power Company for Approval of Certain Accounting Authority	)))	Case No. 16-1853-EL-AAM

DIRECT TESTIMONY OF
DAVID B. WEISS
IN SUPPORT OF AEP OHIO'S
AMENDED ELECTRIC SECURITY PLAN

Filed: November 23, 2016

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DAVID B. WEISS

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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO
DIRECT TESTIMONY OF
DAVID B. WEISS
ON BEHALF OF
OHIO POWER COMPANY

PERSONAL DATA

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is David B. Weiss; my business address is 850 Tech Center Drive, Columbus, Ohio 43230.

Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR POSITION?

A. I am employed by the Ohio Power Company, Inc., ("AEP Ohio" or "the Company") as the Manager of Regulated Commodity Sourcing.

Q. WOULD YOU PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND?

A. Yes. I am a graduate of The Ohio State University. In 1988, I was employed by Arthur Andersen and Company as an auditor, where I was engaged in the audits of the accounting controls and records of large retailers, hospitals, and utilities. In 1990, I transferred to Andersen Consulting, where I supervised the support operations on a large software installation project. In 1992, I began working as an internal auditor for the Columbia Gas System Service Corporation, where I performed reviews of that company's systems of internal controls and financial records. In 2001, I joined American Electric Power Service Corporation ("AEPSC") as a Senior Accountant, and in 2003 I was promoted to Staff Accountant. In 2004, I joined the Regulated Pricing & Analysis department as a Regulatory Consultant I, where I focused on the development of generation and transmission formula

rates, and costs of service for regulatory filings made by Appalachian Power Company ("APCo"), a sister subsidiary of AEP Ohio. In 2010, I was promoted to Regulatory Case Manager, where I managed regulatory filings made on behalf of Ohio Power Company and other AEP regulated operating companies before the Public Utilities Commission of Ohio ("PUCO") and the Federal Energy Regulatory Commission ("FERC"). In December 2014, I transferred to my current position.

Q. WHAT ARE YOUR RESPONSIBILITIES AS MANAGER OF REGULATED COMMODITY SOURCING?

A. In my current position I act as the Company's liaison in the auction process used to procure generation for AEP Ohio's Standard Service Offer ("SSO") customers. I manage the relationship with the third party Auction Manager, coordinate the responses to questions posed by auction participants, address regulatory issues that impact the auction, and act as a point of contact for Company personnel in auction related issues.

Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN ANY REGULATORY PROCEEDINGS?

A. Yes. I have presented testimony on behalf of several AEP regulated entities before the Federal Regulatory Energy Commission and on behalf of APCo in proceedings before the Virginia State Corporation Commission and the Public Service Commission of West Virginia.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to propose changes to the current auction process. I will sponsor an updated auction schedule for the Company's SSO auction to reflect the extension period of the Company's third Electric Security Plan ("ESP III") from June 1,

2018 to May 31, 2024. I am also sponsoring a change in the Company's SSO procurement strategy that includes in that procurement the Company's entitlement share of the output of the Ohio Valley Electric Corporation ("OVEC"). Finally as explained further below, I will also be supporting minor revisions of the auction bidding rules and supply agreements as well.

Q. ARE YOU SPONSORING ANY EXHIBITS?

A. Yes. I am sponsoring the following exhibits:

Exhibit DBW-1A Updated Auction Schedules for March 2017 Auction and ESP III Extension Period.

Exhibit DBW-1B Revised Calendar for First 2017 Auction.

Exhibit DBW-2 Current Application of Volume Adjustment Factor in Attachment C-2.

Exhibit DBW-3 Proposed Application of Volume Adjustment Factor in Attachment C-2.

Exhibit DBW-4 Master Standard Service Offer Supply Agreement.

Exhibit DBW-5 Revised Auction Bidding Rules.

I. SUMMARY OF AUCTION PROCESS

Q. PLEASE BRIEFLY DESCRIBE THE AUCTION PROCESS.

A. In Ohio, generation service is provided in a competitive, market-based environment. Customers have the option of securing their generation service from Competitive Retail Electric Service ("CRES") providers, or they can take default service provided by their Electric Distribution Utility ("EDU"). The source of the generation for this default service, or Standard Service Offer ("SSO"), is a competitive declining clock auction in which potential suppliers bid to provide tranches of the SSO load. Each tranche is one

percent of the EDU's total SSO load, and is defined as a supply period of 12, 24 or 36 months. The differing lengths in the supply periods are referred to as "products" and different products can be available in different auctions. The auctions themselves are managed by NERA Economic Consulting, a third party consultant, and the results reviewed by the Commission Staff and Bates White, a separate consultant the Staff employs. The results of each auction are assumed to be approved unless the Commission specifically rejects those results within 48 hours of the auction. Once approved, winning bidders are notified and execute the Master Standard Service Offer Supply Agreement, ("MSA"), which defines the rights and obligations of the winning bidders and the Company. The results of a specific auction are incorporated into an average SSO price which is then recovered from SSO customers via regulatory mechanisms supported by Company witness Gill.

Q. HAVE THERE BEEN ANY CHANGES IN THE CURRENT FULL REQUIREMENTS AUCTION PROCESS ORIGINALLY APPROVED IN CASE NO. 13-2385-EL-SSO?

A. Yes. In the order issued March 2, 2016 in Case No 16-247-EL-UNC, *In the Matter of the Implementation of Sections 4928.54 and 4928.544 of the Revised Code*, the Commission ordered all EDU's in Ohio to remove from the SSO load 100% of the load of Percentage Income Payment Plan ("PIPP") customers. The right to supply this separate PIPP load will be awarded in the process provided for in that proceeding. In addition, while not yet approved, the Company is proposing to supply a subset of the tranches from its entitlement to the Ohio Valley Electric Company's ("OVEC") production. As set forth in the Amended Application and in the testimony of AEP Ohio witness Allen, the Company

proposes to modify the cost recovery mechanism for the OVEC entitlement; the corresponding changes to the proposed auction schedule and related matters are discussed further in my testimony.

II. PROPOSED AUCTION SCHEDULE

Q. PLEASE DESCRIBE THE PROPOSED AUCTION SCHEDULE TO SECURE THE SSO LOAD FOR THE ESP III EXTENSION PERIOD.

A. All current MSAs that have been or will be executed during the original ESP III period are scheduled to expire on May 31, 2018. To ensure the SSO obligation is met on and after June 1, 2018, AEP Ohio will have two initial auctions prior to the June 1 flow date. Following the semi-annual auction schedule currently in place, the first auction will be held in November 2017, and the second in March 2018. Each auction will seek to procure 50% of the SSO load, or 50 tranches. The 50 tranches at bid in each auction will be broken out into three separate products: 36 month, 24 month, and 12 months. The 36-month product will be 16 tranches, and the 24 and 12-month products will be for 17 tranches each, some of which will be provided by AEP Ohio using the OVEC entitlement power. For each auction thereafter, products in the auction will be replacing the same product which is set to expire. By adopting this schedule, the weighted average price of all SSO auctions will always reflect the same proportion of auction products. In addition, at the end of the six-year extension period, May 31, 2024, all MSAs will uniformly expire, coinciding with the beginning of a new ESP/MRO period on June 1, 2024. See Exhibit DBW-1 for a timeline of the proposed schedule.

Q. DID THE COMPANY CONSIDER BLENDING PRODUCTS FROM THE INITIAL ESP III PERIOD AND EXTENDED ESP PERIOD?

A. This strategy was considered. However because the product mix and resulting auction

schedule in the initial ESP III period have been established by order, and 66 tranches of the SSO that will expire on May 31, 2018 are served under currently effective MSAs, the Company concluded that the practical and efficient approach would be to follow the strategy as described above.

Q. SINCE THE ESP III EXTENSION PERIOD IS SIX YEARS, WHY NOT OFFER SOME PRODUCTS FOR PERIODS LONGER THAN 36 MONTHS?

A. Auction winners are responsible for providing the capacity related to each tranche. Because PJM only auctions capacity up to three years in advance, any product longer than three years would be less attractive to potential bidders due to the unknown cost of capacity in the product's outer years. This unknown cost could decrease bidder participation or lead to increased risk premiums. Hence, the Company has retained a 36-month limit on the term of the auction products.

III. PROPOSED USE OF AEP OHIO'S OVEC ENTITLEMENT

Q. EXPLAIN HOW YOU PROPOSE TO ADJUST THE AUCTION SCHEDULE TO IMPLEMENT THE COMPANY PROPOSAL TO SERVE A PORTION OF ITS STANDARD SERVICE OFFER FROM ITS OVEC ENTITLEMENT.

A. As described by Company Witnesses Allen and Moore, AEP Ohio is proposing to use its entitlement to 440 MW of OVEC's installed capacity to supply a part of the Company's SSO load. This installed capacity amount is equivalent to 354 MW of Unforced Capacity, which is what is available to serve load. The implementation of this would be in two parts: one for the auction which has been scheduled for March 2017, for delivery between June 1, 2017 and May 31, 2018, and another one for the period that will begin on June 1, 2018 through May 30, 2024.

Q. PLEASE EXPLAIN HOW YOU PROPOSE TO INCORPORATE THE OVEC

ENTITLEMENT IN THE SSO LOAD DURING THE DELIVERY PERIOD OF JUNE 1, 2017 TO MAY 31, 2018.

A. The first auction in 2017 is to secure 17 tranches of a 12-month product. The Company requests that instead of auctioning all 17 tranches, AEP Ohio would use its OVEC entitlement to serve 12 of these tranches. The remaining five tranches will be awarded via the auction process currently managed by NERA.

Q. HOW DOES THE COMPANY PROPOSE TO IMPLEMENT THIS REQUEST?

A. As set forth in the Amended Application, the Company requests interim relief in the form of an expedited ruling on the OVEC proposal based on the time-sensitive nature. The Company is currently required to hold an auction in March 2017 that would award all 17 of these tranches. The tentative auction schedule includes a lengthy planning window that would currently start in January. In order to be timely, the Commission decision on the OVEC proposal would need to occur early in the planning process; as explained in more detail below, the Commission's decision would need to occur prior to the Auction Manager holding an information session for suppliers and prior to the announcement of the tranche target for the auction (since this tranche target would be subject to change should the Commission approve the OVEC proposal).

The Company proposes to amend the tentative schedule for the Spring 2017 auction to delay both the auction and preliminary deadlines in order to provide the Commission maximal time to consider the Company's request. The amended schedule is subject to agreement by Staff in accordance with the Bidding Rules. This amended schedule, provided in the first column of Exhibit DBW-1B, schedules those milestones for February 15, 2017 and thus the Company requested in the Amended Application that

the Commission issue its opinion on this interim relief by February 8, 2017. To the extent that the Commission is not able to issue a ruling by early January, the Company seeks to have the March auction delayed until late April or early May. That delay would give the Commission more time (until March 14, 2017)[1] to consider the Company's OVEC proposal. The calendar in case of such a delay is provided in the second column of Exhibit DBW-1B and it would still enable the Company to timely execute the five-tranche auction of the 12-month product in order to meet the delivery date of June 1, 2017.

Thus, the Company's primary request for interim relief is for approval of the request to serve the 12 tranches with the OVEC entitlement commencing June 1, 2017 and proceed with an auction of 5 tranches (either on the amended calendar for a March auction or on the delayed calendar for a May 2 auction). If however, the Commission deemed it necessary to take additional time to consider the merits of the OVEC request, the Company also requests alternative interim relief of approval to proceed with the 5-tranche auction based on the existing product design and approval to conduct quarterly auctions of three-month products for the remaining 12 tranches. In order to be timely, this alternative relief would need to be ruled upon within the same timeframe. Under the quarterly auction approach for the 12 tranches, the Company would utilize OVEC to fill the tranches at the expiration of the most recent three-month auction held before the Commission approved the request. The Company would then continue to serve this obligation until May 31, 2018, when it would start to serve the 12 tranches as described further in this testimony. See Exhibit DBW-1A for an example of this proposal.

[1] One week prior to the announcement of the tranche target to allow for modification of auction documents.

Q. WHAT IF THE COMMISSION DOES NOT RULE ON THE COMPANY'S OVEC PROPOSAL AS REQUESTED?

A. The Company would lose the opportunity for timely recovery of its OVEC entitlement, as further discussed Company witness Allen. Without some direction from the Commission, the Company could only hold the auction as planned for all 17 tranches of the 12-month product, albeit on the proposed delayed schedule if approved by Staff.

Q. FOR THE ESP III EXTENSION PERIOD BEGINNING JUNE 1, 2018, PLEASE EXPAND ON HOW THIS PROPOSAL WOULD WORK WITHIN THE FRAMEWORK OF THE AUCTION PROCESS.

A. While the use of AEP Ohio's entitlement would be self-supply, the proposal to incorporate this source into the auctions is designed to maintain consistency within the existing framework of the auction process. Using the first auction for the ESP III extension period (to be held in November 2017) as an example, the assignment of tranches to AEP Ohio would be based on the ratio of the 354 MWs[2] to a denominator of the MWs of SSO load at the 5CP forecasted for 2018 PJM planning year. Because this auction only accounts for 50% of the load, this ratio will be adjusted to reflect the ratio of tranches available in a given auction to the total number of tranches (100). The product of those two ratios multiplied by 100 would identify the number of tranches in a particular auction supplied by the OVEC entitlement power. If an auction had more than one product available, the tranches identified to be supplied from OVEC would be spread across all products. Once the OVEC-supplied tranches are identified, the remaining tranches would be auctioned to market bidders under the currently approved process. See

[2] In the event the MW quantity of the entitlement should change, the updated Unforced Capacity amount would be used to calculate the number of SSO tranches to be served from the OVEC entitlement.

Exhibit DBW-1, which incorporates this proposal into the proposed auction schedule.

Q. WOULD AEP OHIO BE RESPONSIBLE FOR PROVIDING FULL REQUIREMENTS SERVICES AS DESCRIBED IN VARIOUS SECTIONS IN THE MASTER SERVICE AGREEMENT?

A. Yes. AEP Ohio is accepting the obligation to the meet the full service requirements of the tranches it will serve, thus becoming a Load Serving Entity ("LSE"). Along with providing the capacity, energy and ancillary requirements, as an LSE AEP Ohio will also incur any additional costs associated with the per tranche share of PJM charges identified in the Attachment F of the MSA. In addition, in the event that AEP Ohio's share of the load deviates from the 354 MW in the entitlement, they, like any other successful bidder, would be required to meet a shortfall by making purchases or selling excess energy in the PJM market. The expense or revenue from these transactions would be incorporated into the Auction Cost Recovery Rider supported by Company witness Gill.

IV. PROPOSED CHANGES IN AUCTION RULES/DOCUMENTATION

Q. IS THE COMPANY PROPOSING CHANGES TO ANY ASPECTS OF THE AUCTION PROCESSES?

A. Yes. There are four changes that the company would like to propose:

1) Revise Attachment C-2 of the MSA to refine the accuracy of the margin requirement calculation;
2) propose minor administrative changes to the body of the MSA;
3) in the auction Bidding Rules change the language related to the application of credit-based tranche caps; and,
4) in the Bidding Rules revise requirements in Part 2 of the application to include final documents for suppliers and guarantors.

Q. PLEASE DESCRIBE THE ISSUE IN THE CURRENT ATTACHMENT C-2, 'MARK TO MARKET EXPOSURE AMOUNT CALCULATION'.

Attachment C-2 describes how to calculate the margin requirements for SSO providers to ensure the collateral provided in the event of default is adequate given the most current expected usage and current market prices. While there are several steps to this calculation, the one in question is the application of a Volume Adjustment Factor ("VAF"), which is used to adjust the total monthly volumes of previous auctions to the current estimated usage used in the most recent auction. This update in usage is necessary because of the impacts of customer migrations and changes in their usage patterns compared to previous auctions. Because the VAF is calculated on the total load, and does not account for changes in the mix of on-peak and off-peak loads, the adjustment of prior MWhs is correct in total, but will not reflect the most recent on-peak, off-peak split. On-peak and off-peak MWhs have different market prices, so this in turn can create either under- or over-statements in the margin exposure calculations for tranches awarded in past auctions. See Exhibits DBW-2 and DBW-3 for an example of the current and proposed methodologies to address this issue.

Q. PLEASE DESCRIBE THE PROPOSED CHANGE TO ATTACHMENT C-2 THAT WILL ADDRESS THIS ISSUE.

A. The Company would like to update this calculation to reflect separate on-peak and off-peak volume adjustment factors. This change would ensure that the split between on-peak and off-peak loads remains proportional and eliminate the differences between MWhs shown in Exhibit DBW-2.

The revised Attachment C-2 is shown in Exhibit DBW-4.

Q. PLEASE DESCRIBE THE PROPOSED ADMINISTRATIVE CHANGES TO THE MSA.

A. On the advice of counsel, the Company is proposing the following administrative changes to the MSA:

1) To reflect the separation of PIPP load from SSO Load the Company is proposing changes in the recitals and the definition of "SSO Customers" in the glossary.

2) Section 11.2 of the Master Service Agreement requires binding arbitration in the case of disputes that cannot be resolved using the informal dispute resolution process defined in Section 11.1 of the MSA. As currently written, the MSA defines the state and federal courts of competent jurisdiction as those situated in the State of Ohio. On the advice of counsel, the Company proposes to clarify Section 11.2 by defining the courts of competent jurisdiction as those situated in the City of Columbus, Ohio.

3) The Company is removing from the signatory page the pre-defined name and title of the approving AEP Ohio corporate officer to allow flexibility in the event that the President of AEP Ohio was unavailable during the signatory window.

4) In Attachment E to the MSA, *Form of SSO Supplier Letter of Credit*, The Company is correcting its zip code on the mailing address on page E-1, and updating the name of the recipient AEP department on pages E-1 and E-9.

5) In addition, Attachment F to the MSA, *Sample PJM Bill*, reflects PJM billing line items as the responsibility of either SSO providers or the EDC. The Company is revising Attachment F to include line item *1119A Michigan-Ontario Interface*

Phase Angle Regulators, as a responsibility of SSO providers.

See Exhibit DBW-4 for these revisions.

Q. PLEASE DESCRIBE THE PROPOSED REVISION TO THE USE OF CREDIT-BASED TRANCHE CAPS IN THE BIDDING RULES.

A. In the Competitive Bidding Process ("CBP") Rules, a credit-based tranche cap is imposed on certain bidders that do not meet (or do not have a guarantor that meets) a threshold credit rating. This cap is intended to limit the total number of tranches they can win. Currently this rule can be interpreted to apply the cap cumulatively to all auctions during the ESP period. However, the intent of this cap is to apply the tranche limit to individual auctions, so that it applies a ceiling to the number of tranches that can be won in a specific auction, and not to the number of tranches that can be won in all auctions. Our proposal clarifies this intent.

Q. PLEASE EXPLAIN THE BENEFITS OF MAKING THIS CHANGE.

A. The way the credit-based tranche cap is currently written, it might unnecessarily be interpreted to limit the number of tranches that can be bid by certain bidders that would otherwise be eligible to bid on more tranches in each auction, thus decreasing the supply bid in the auctions. Although this change does increase the number of tranches the affected suppliers could win, these bidders would still have to meet the established per tranche collateral requirements when they execute their contracts. See Exhibit DBW-5 for the proposed new language.

Q. WHAT IS THE FOURTH CHANGE THAT THE COMPANY IS PROPOSING?

A. When potential bidders are qualifying to participate in the auction, they can either rely on their own financial standing or that of a guarantor. An unrated entity that relies on the

financial standing of a guarantor may qualify to bid for more tranches than it could do on a standalone basis. However, based on prior auction experience, when the guarantor has to provide additional documentation under the terms of the contract to qualify as a creditworthy guarantor, as in the case of a foreign guarantor, those documents provided after the auction have not always complied with the requirements of the AEP Ohio auction process. Those non-compliant documents mean that the decision to allow the Bidder to bid on a given number of tranches was based on inaccurate information that the guarantor was creditworthy.

Currently, such bidders provide drafts of any additional documents with the Part 1 application and AEP Ohio provides an assessment of any changes that are required and that the bidder is expected to make if they win tranches. To address the fact that bidders do not always follow through on making those changes, the Company proposes to require bidders to submit those additional executed documents incorporating the changes required by AEP Ohio as a condition of them being able to rely on the financial standing of the guarantor. Similarly, a foreign bidder that would provide drafts of necessary additional documents in the Part 1 Window would be required to submit final executed documents in the Part 2 Window as a condition of being granted an unsecured line of credit. This way AEP Ohio can make an assessment of creditworthiness based on accurate information. See exhibit DBW-5 for changes to the bidding rules.

Q. WHEN DOES THE COMPANY PROPOSE THAT THESE FOUR CHANGES WILL GO INTO EFFECT?

A. The Company requests that these changes to the documentation go into effect at the time of the first auction after this amended application is approved.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

EXHIBIT DBW-1A

PROPOSED AUCTION SCHEDULE WITH OVEC ENTITLEMENT

												Product Delivery					
											Term Begin / End	Jun-17 / Aug-17	Sep-17 / Nov-17	Dec-17 / Feb-18	Mar-18 / May-18	Jun-18 / May-19	Jun-19 / May-20	Jun-20 / May-21	Jun-21 / May-22	Jun-22 / May-23	Jun-23 / May-24
ESP III MARCH 2017 AUCTION SCENARIOS	Procurement	Scheduled Date	Effective SSO 5CP MW	OVEC Entitlement in MW	OVEC/5CP	Percent of Load Being Auctioned	OVEC Tranches	Total Available Tranches	OVEC Tranches by Product	Auction Tranches	Product (Months)										
	As Approved in Current ESPIII																				
	Auction 6 (ESP 3)	28-Mar-17						17	-	17	12										
	Primary Interim Relief Requested by AEP Ohio in ESP III Extension																				
	Auction 6 (ESP 3)	28-Mar-17						17	12		12										
										5											
	Alternative Interim Relief Requested by AEP Ohio in ESP III Extension																				
	Auction 6 (ESP 3)	May-17						5		5	12										
	Auction 7 (ESP 3)	Aug-17						12		12	3										
	Auction 8 (ESP 3)	Nov-17																			
	Auction 9 (ESP 3)	Feb-18																			
ESP III EXTENSION AUCTION SCHEDULE	Auction 1	Nov-17	2,950	354	12%	50%	6	17	2	15	12										
								17	2	15	24										
								16	2	14	36										
	Auction 2	Mar-18	2,950	354	12%	50%	6	17	2	15	12										
								17	2	15	24										
								16	2	14	36										
	Auction 3	Nov-18	2,950	354	12%	17%	2	17	2	15	12										
	Auction 4	Mar-19	2,950	354	12%	17%	2	17	2	15	12										
	Auction 5	Nov-19	2,950	354	12%	34%	4	17	2	15	12										
								17	2	15	24										
	Auction 6	Mar-20	2,950	354	12%	34%	4	17	2	15	12										
								17	2	15	24										
	Auction 7	Nov-20	2,950	354	12%	33%	4	17	2	15	12										
								16	2	14	36										
	Auction 8	Mar-21	2,950	354	12%	33%	4	17	2	15	12										
								16	2	14	36										
	Auction 9	Nov-21	2,950	354	12%	33%	4	17	2	15	12										
								17	2	15	24										
	Auction 10	Mar-22	2,950	354	12%	34%	4	17	2	15	12										
								17	2	15	24										
	Auction 11	Nov-22	2,950	354	12%	17%	2	17	2	15	12										
	Auction 12	Mar-23	2,950	354	12%	17%	2	17	2	15	12										

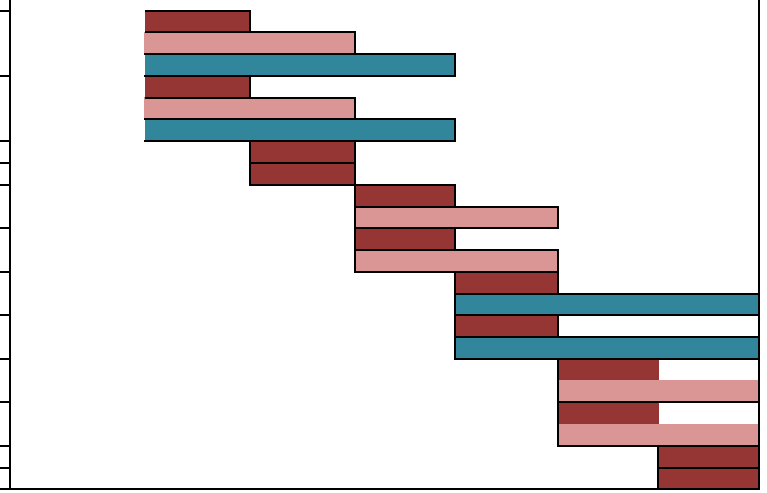


EXHIBIT DBW-1B

	Proposed March 28 auction	Delayed May 2 auction	Tentative Schedule
Auction Date	Tuesday, March 28, 2017	Tuesday, May 2nd, 2017	Tuesday, March 28, 2017
Applicable Circumstances and Products Auctioned	**PUCO approves primary interim relief request by 2/8; this calendar is used and 5 tranches of the 12-month product are auctioned; or**	**PUCO denies primary interim relief request but approves alternative interim relief request ; 5 tranches of the 12-month product and 12 tranches of a 3-month product are auctioned**	
	PUCO rejects primary interim relief request by 2/8, this calendar is used and 17 tranches of the 12-month product are auctioned; or		**Schedule as originally proposed in ESP III; for comparison purposes only**
	Staff does not agree to auction schedule delay, and PUCO does not render a decision on either primary or alternative interim relief requests by 2/8 ; this calendar is used and 17 tranches of the 12-month product are auctioned	**Staff agrees to auction schedule delay, but PUCO does not render a decision on either primary or alternative interim relief requests by 2/8 ; this calendar is used and 17 tranches of the 12-month product are auctioned**	
Bidder Information Session	Wednesday, February 15, 2017	Tuesday, March 21, 2017	Wednesday, January 11, 2017
Auction Manager announces tranche targets and other parameters	Wednesday, February 15, 2017	Tuesday, March 21, 2017	Wednesday, January 11, 2017
Part 1 Window opens	Tuesday, February 21, 2017	Monday, March 27, 2017	Thursday, January 26, 2017
Part 1 Applications are due	Friday, March 03, 2017	Thursday, April 06, 2017	Tuesday, February 14, 2017
Part 1 Notification Date	Wednesday, March 08, 2017	Tuesday, April 11, 2017	Tuesday, February 21, 2017
Part 2 Window opens	Thursday, March 09, 2017	Wednesday, April 12, 2017	Wednesday, February 22, 2017
Announce update to MW-measure or	Friday, March 10, 2017	Friday, April 14, 2017	Wednesday, March 08, 2017
Part 2 Applications are due	Thursday, March 16, 2017	Thursday, April 20, 2017	Tuesday, March 14, 2017
Part 2 Notification Date	Tuesday, March 21, 2017	Tuesday, April 25, 2017	Tuesday, March 21, 2017
Bidder User Manual Distributed	Tuesday, March 21, 2017	Tuesday, April 25, 2017	Tuesday, March 21, 2017
Trial Auction for Registered Bidders	Wednesday, March 22, 2017	Wednesday, April 26, 2017	Wednesday, March 22, 2017
Auction Manager informs Registered Bidders of round 1 price	Thursday, March 23, 2017	Thursday, April 27, 2017	Thursday, March 23, 2017
Auction begins	Tuesday, March 28, 2017	Tuesday, May 02, 2017	Tuesday, March 28, 2017
Auction Manager notifies AEP Ohio and Commission of results	On day of auction close	On day of auction close	On day of auction close
End of Commission review period	Within 2 days of auction close	Within 2 days of auction close	Within 2 days of auction close
SMAs Signed	Within three days of end of Commission review	Within three days of end of Commission review	Within three days of end of Commission review
Power Flow	Thursday, June 01, 2017	Thursday, June 01, 2017	Thursday, June 01, 2017

Notes:
(1) the alternate guaranty process would be conducted from January 3, 2017 to January 19, 2017 under all circumstances. These were the dates pre-announced in the tentative schedule.

CURRENT Volume Adjustment Factor Calculation Methodolgy for Attachment C-2

Exhibit DBW -2

NOTE (1)

A	B	C	D=B+C	E	F	G	H=F+G	I=H/D	J	K=B*I	L=C*I	M=K+L	N	O=F-K	P=G-L	Q=O+P	R	S	T=O*R	U=P*S	V=T+U
	5/2015 Auction				**11/2015 Auction**			**Vol Adj Factor for May-15 Tranches (Nov Total /May Total for indicated Month**		**May-15**			**Difference (Nov-15 Minus Updated May-15)**				**MWh pricing (Note 2)**		**Impact on Margins**		
	Initial Tranche Volume (MWh) @ time of indicated auction				**Initial Tranche Volume (MWh) @ time of indicated auction**					**Updated Tranche Volume (MWh)**				**Updated Tranche Volume (MWh)**							
Month	**On-Peak**	**Off-Peak**	**Total**	**Month**	**On-Peak**	**Off-Peak**	**Total**		**Month**	**On-Peak**	**Off-Peak**	**Total**	**Month**	**On-Peak**	**Off-Peak**	**Total**	**On Peak**	**Off Peak**	**On Peak $**	**Off Peak $**	**Difference**
Jun-16	3,386	3,653	7,039	Jun-16	2,983	3,480	6,463	0.918170195	Jun-16	3,109	3,354	6,463	Jun-16	(126)	126	0	$ 36.00	$ 28.00	$ (4,533)	$ 3,526	$ (1,007)
Jul-16	4,078	3,844	7,922	Jul-16	4,088	3,855	7,943	1.002650846	Jul-16	4,089	3,854	7,943	Jul-16	(1)	1	0	$ 36.00	$ 28.00	$ (29)	$ 23	$ (6)
Aug-16	3,986	3,595	7,581	Aug-16	3,995	3,605	7,600	1.002506266	Aug-16	3,996	3,604	7,600	Aug-16	(1)	1	0	$ 36.00	$ 28.00	$ (36)	$ 28	$ (8)
Sep-16	2,900	2,578	5,478	Sep-16	2,918	2,589	5,507	1.005293903	Sep-16	2,915	2,592	5,507	Sep-16	3	(3)	0	$ 36.00	$ 28.00	$ 95	$ (74)	$ 21
Oct-16	2,367	2,452	4,819	Oct-16	2,372	2,457	4,829	1.002075119	Oct-16	2,372	2,457	4,829	Oct-16	0	(0)	0	$ 36.00	$ 28.00	$ 3	$ (2)	$ 1
Nov-16	2,799	2,288	5,087	Nov-16	2,799	2,290	5,089	1.000393159	Nov-16	2,800	2,289	5,089	Nov-16	(1)	1	0	$ 36.00	$ 28.00	$ (40)	$ 31	$ (9)
Dec-16	3,480	3,259	6,739	Dec-16	3,480	3,261	6,741	1.00029678	Dec-16	3,481	3,260	6,741	Dec-16	(1)	1	(0)	$ 36.00	$ 28.00	$ (37)	$ 29	$ (8)
Jan-17	2,749	3,247	5,996	Jan-17	2,601	3,148	5,749	0.958805871	Jan-17	2,636	3,113	5,749	Jan-17	(35)	35	0	$ 36.00	$ 28.00	$ (1,251)	$ 973	$ (278)
Feb-17	3,133	2,776	5,909	Feb-17	3,118	2,758	5,876	0.994415299	Feb-17	3,116	2,760	5,876	Feb-17	2	(2)	0	$ 36.00	$ 28.00	$ 90	$ (70)	$ 20
Mar-17	3,095	2,841	5,936	Mar-17	2,965	2,823	5,788	0.975067385	Mar-17	3,018	2,770	5,788	Mar-17	(53)	53	0	$ 36.00	$ 28.00	$ (1,902)	$ 1,479	$ (423)
Apr-17	2,440	2,554	4,994	Apr-17	2,213	2,435	4,648	0.93071686	Apr-17	2,271	2,377	4,648	Apr-17	(58)	58	0	$ 36.00	$ 28.00	$ (2,086)	$ 1,623	$ (464)
May-17	2,905	2,705	5,610	May-17	2,700	2,613	5,313	0.947058824	May-17	2,751	2,562	5,313	May-17	(51)	51	0	$ 36.00	$ 28.00	$ (1,843)	$ 1,434	$ (410)
Jun-17	3,386	3,653	7,039	Jun-17	2,983	3,480	6,463	0.918170195	Jun-17	3,109	3,354	6,463	Jun-17	(126)	126	0	$ 36.00	$ 28.00	$ (4,533)	$ 3,526	$ (1,007)
Jul-17	4,078	3,844	7,922	Jul-17	4,088	3,855	7,943	1.002650846	Jul-17	4,089	3,854	7,943	Jul-17	(1)	1	0	$ 36.00	$ 28.00	$ (29)	$ 23	$ (6)
Aug-17	3,986	3,595	7,581	Aug-17	3,995	3,605	7,600	1.002506266	Aug-17	3,996	3,604	7,600	Aug-17	(1)	1	0	$ 36.00	$ 28.00	$ (36)	$ 28	$ (8)
Sep-17	2,900	2,578	5,478	Sep-17	2,917	2,590	5,507	1.005293903	Sep-17	2,915	2,592	5,507	Sep-17	2	(2)	0	$ 36.00	$ 28.00	$ 59	$ (46)	$ 13
Oct-17	2,367	2,452	4,819	Oct-17	2,372	2,457	4,829	1.002075119	Oct-17	2,372	2,457	4,829	Oct-17	0	(0)	0	$ 36.00	$ 28.00	$ 3	$ (2)	$ 1
Nov-17	2,799	2,288	5,087	Nov-17	2,799	2,290	5,089	1.000393159	Nov-17	2,800	2,289	5,089	Nov-17	(1)	1	0	$ 36.00	$ 28.00	$ (40)	$ 31	$ (9)
Dec-17	3,480	3,259	6,739	Dec-17	3,480	3,261	6,741	1.00029678	Dec-17	3,481	3,260	6,741	Dec-17	(1)	1	(0)	$ 36.00	$ 28.00	$ (37)	$ 29	$ (8)
Jan-18	3,749	3,247	6,996	Jan-18	3,547	3,153	6,700	0.957690109	Jan-18	3,590	3,110	6,700	Jan-18	(43)	43	0	$ 36.00	$ 28.00	$ (1,562)	$ 1,215	$ (347)
Feb-18	3,133	2,776	5,909	Feb-18	3,118	2,758	5,876	0.994415299	Feb-18	3,116	2,760	5,876	Feb-18	2	(2)	0	$ 36.00	$ 28.00	$ 90	$ (70)	$ 20
Mar-18	3,095	2,841	5,936	Mar-18	2,966	2,822	5,788	0.975067385	Mar-18	3,018	2,770	5,788	Mar-18	(52)	52	0	$ 36.00	$ 28.00	$ (1,866)	$ 1,451	$ (415)
Apr-18	2,440	2,554	4,994	Apr-18	2,213	2,440	4,653	0.931718062	Apr-18	2,273	2,380	4,653	Apr-18	(60)	60	0	$ 36.00	$ 28.00	$ (2,174)	$ 1,691	$ (483)
May-18	2,905	2,705	5,610	May-18	2,700	2,613	5,313	0.947058824	May-18	2,751	2,562	5,313	May-18	(51)	51	0	$ 36.00	$ 28.00	$ (1,843)	$ 1,434	$ (410)

Note (1) Change in Initial Tranche Volumes between the May and November Auctions is due to changes in customer counts, switching between CRES and SSO, and other load impacts during intervening six month period.

Note (2): The peak and off peak prices in this example are held constant to isolate the impact of the issue to MWh variations.

PROPOSED Volume Adjustment Factor Calculation Methodolgy for Attachment C-2

Exhibit DBW-3

NOTE (1)

A	B	C	D=B+C	E	F	G	H=F+G	I=F/B	J=G/C	K	L=B*I	M=C*J	N=L+M	O	P=F-L	Q=G-M	R=P+Q	S	T	U=P*S	V=Q*T	W=U+V
May-15				**Nov-15**						**May-15**				**Difference (Nov-15 Minus Updated May-15)**				**MWh pricing (Note 2)**		**Impact on Margins**		
Initial Tranche Volume (MWh)				**Initial Tranche Volume (MWh)**				**Vol Adj Factor for May-15 Tranches**		**Updated Tranche Volume (MWh)**				**Updated Tranche Volume (MWh)**				**On Peak**	**Off Peak**	**On Peak**	**Off Peak**	**Diff**
Month	**On-Peak**	**Off-Peak**	**Total**	**Month**	**On-Peak**	**Off-Peak**	**Total**	**Peak**	**Off-Peak**	**Month**	**On-Peak**	**Off-Peak**	**Total**	**Month**	**On-Peak**	**Off-Peak**	**Total**					
Jun-16	3,386	3,653	7,039	Jun-16	2,983	3,480	6,463	0.88098	0.95264	Jun-16	2,983	3,480	6,463	Jun-16	0	0	0	$ 36.00	$ 28.00	$ -	$ -	$ -
Jul-16	4,078	3,844	7,922	Jul-16	4,088	3,855	7,943	1.00245	1.00286	Jul-16	4,088	3,855	7,943	Jul-16	0	0	0	$ 36.00	$ 28.00	$ -	$ -	$ -
Aug-16	3,986	3,595	7,581	Aug-16	3,995	3,605	7,600	1.00226	1.00278	Aug-16	3,995	3,605	7,600	Aug-16	0	0	0	$ 36.00	$ 28.00	$ -	$ -	$ -
Sep-16	2,900	2,578	5,478	Sep-16	2,918	2,589	5,507	1.00621	1.00427	Sep-16	2,918	2,589	5,507	Sep-16	0	0	0	$ 36.00	$ 28.00	$ -	$ -	$ -
Oct-16	2,367	2,452	4,819	Oct-16	2,372	2,457	4,829	1.00211	1.00204	Oct-16	2,372	2,457	4,829	Oct-16	0	0	0	$ 36.00	$ 28.00	$ -	$ -	$ -
Nov-16	2,799	2,288	5,087	Nov-16	2,799	2,290	5,089	1.00000	1.00087	Nov-16	2,799	2,290	5,089	Nov-16	0	0	0	$ 36.00	$ 28.00	$ -	$ -	$ -
Dec-16	3,480	3,259	6,739	Dec-16	3,480	3,261	6,741	1.00000	1.00061	Dec-16	3,480	3,261	6,741	Dec-16	0	0	0	$ 36.00	$ 28.00	$ -	$ -	$ -
Jan-17	2,749	3,247	5,996	Jan-17	2,601	3,148	5,749	0.94616	0.96951	Jan-17	2,601	3,148	5,749	Jan-17	0	0	0	$ 36.00	$ 28.00	$ -	$ -	$ -
Feb-17	3,133	2,776	5,909	Feb-17	3,118	2,758	5,876	0.99521	0.99352	Feb-17	3,118	2,758	5,876	Feb-17	0	0	0	$ 36.00	$ 28.00	$ -	$ -	$ -
Mar-17	3,095	2,841	5,936	Mar-17	2,965	2,823	5,788	0.95800	0.99366	Mar-17	2,965	2,823	5,788	Mar-17	0	0	0	$ 36.00	$ 28.00	$ -	$ -	$ -
Apr-17	2,440	2,554	4,994	Apr-17	2,213	2,435	4,648	0.90697	0.95341	Apr-17	2,213	2,435	4,648	Apr-17	0	0	0	$ 36.00	$ 28.00	$ -	$ -	$ -
May-17	2,905	2,705	5,610	May-17	2,700	2,613	5,313	0.92943	0.96599	May-17	2,700	2,613	5,313	May-17	0	0	0	$ 36.00	$ 28.00	$ -	$ -	$ -
Jun-17	3,386	3,653	7,039	Jun-17	2,983	3,480	6,463	0.88098	0.95264	Jun-17	2,983	3,480	6,463	Jun-17	0	0	0	$ 36.00	$ 28.00	$ -	$ -	$ -
Jul-17	4,078	3,844	7,922	Jul-17	4,088	3,855	7,943	1.00245	1.00286	Jul-17	4,088	3,855	7,943	Jul-17	0	0	0	$ 36.00	$ 28.00	$ -	$ -	$ -
Aug-17	3,986	3,595	7,581	Aug-17	3,995	3,605	7,600	1.00226	1.00278	Aug-17	3,995	3,605	7,600	Aug-17	0	0	0	$ 36.00	$ 28.00	$ -	$ -	$ -
Sep-17	2,900	2,578	5,478	Sep-17	2,917	2,590	5,507	1.00586	1.00465	Sep-17	2,917	2,590	5,507	Sep-17	0	0	0	$ 36.00	$ 28.00	$ -	$ -	$ -
Oct-17	2,367	2,452	4,819	Oct-17	2,372	2,457	4,829	1.00211	1.00204	Oct-17	2,372	2,457	4,829	Oct-17	0	0	0	$ 36.00	$ 28.00	$ -	$ -	$ -
Nov-17	2,799	2,288	5,087	Nov-17	2,799	2,290	5,089	1.00000	1.00087	Nov-17	2,799	2,290	5,089	Nov-17	0	0	0	$ 36.00	$ 28.00	$ -	$ -	$ -
Dec-17	3,480	3,259	6,739	Dec-17	3,480	3,261	6,741	1.00000	1.00061	Dec-17	3,480	3,261	6,741	Dec-17	0	0	0	$ 36.00	$ 28.00	$ -	$ -	$ -
Jan-18	3,749	3,247	6,996	Jan-18	3,547	3,153	6,700	0.94612	0.97105	Jan-18	3,547	3,153	6,700	Jan-18	0	0	0	$ 36.00	$ 28.00	$ -	$ -	$ -
Feb-18	3,133	2,776	5,909	Feb-18	3,118	2,758	5,876	0.99521	0.99352	Feb-18	3,118	2,758	5,876	Feb-18	0	0	0	$ 36.00	$ 28.00	$ -	$ -	$ -
Mar-18	3,095	2,841	5,936	Mar-18	2,966	2,822	5,788	0.95832	0.99331	Mar-18	2,966	2,822	5,788	Mar-18	0	0	0	$ 36.00	$ 28.00	$ -	$ -	$ -
Apr-18	2,440	2,554	4,994	Apr-18	2,213	2,440	4,653	0.90697	0.95536	Apr-18	2,213	2,440	4,653	Apr-18	0	0	0	$ 36.00	$ 28.00	$ -	$ -	$ -
May-18	2,905	2,705	5,610	May-18	2,700	2,613	5,313	0.92943	0.96599	May-18	2,700	2,613	5,313	May-18	0	0	0	$ 36.00	$ 28.00	$ -	$ -	$ -

Note (1) Change in Initial Tranche Volumes between the May and November Auctions is due to changes in customer counts, switching between CRES and SSO, and other load impacts during intervening six month period.

Note (2): The peak and off peak prices in this example are held constant to isolate the impact of the issue to MWh variations.

Exhibit DBW-4

MASTER STANDARD SERVICE OFFER ("SSO") SUPPLY AGREEMENT

BY AND BETWEEN

OHIO POWER COMPANY

AND

EACH SSO SUPPLIER SET FORTH ON ATTACHMENT A HERETO

_____ __, 201_

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MASTER SSO SUPPLY AGREEMENT

This Master SSO Supply Agreement ("Agreement"), dated as of _____ __, 201__ ("Effective Date"), is by and between Ohio Power Company, an Ohio corporation with offices at 1 Riverside Plaza, Columbus, Ohio ("AEP Ohio") and each of the suppliers listed on Attachment A severally, but not jointly, (each an "SSO Supplier" and collectively "SSO Suppliers"). AEP Ohio and each SSO Supplier are hereinafter referred to individually as a "Party" or collectively as the "Parties").

RECITALS

WHEREAS, AEP Ohio is an Ohio public utility that engages, inter alia, in providing Standard Service Offer supply within its service territory; and

WHEREAS, the PUCO found that it would serve the public interest for AEP Ohio to secure SSO Supply through a competitive bidding process; and

WHEREAS, each SSO Supplier was one of the winning bidders in a Solicitation for SSO Supply; and

WHEREAS, the PUCO has authorized AEP Ohio to contract with winning bidders for SSO Supply to serve SSO Load in accordance with the terms of this Agreement; and

WHEREAS, the PUCO subsequently ordered that "PIPP Customers" (as defined herein) be removed from taking service as an "SSO customer" (as defined herein) under this Agreement, so modifications to this Agreement have been made to exclude the PIPP Customers consistent with the PUCO order; and,

WHEREAS, AEP Ohio shall be responsible for the provision of any renewable energy resource requirement as set forth in Ohio Rev. Code Ann. Sections 4928.64 and 4928.65 and regulations promulgated in respect thereto; and

WHEREAS, each SSO Supplier will satisfy its Capacity obligations under the PJM Agreements associated with its respective SSO Supplier Responsibility Share in accordance with the PJM Agreements, including, without limitation, through participation in the base residual auction and incremental auctions administered by PJM; and

WHEREAS, AEP Ohio and the SSO Suppliers desire to enter into this Agreement setting forth their respective obligations concerning the provision of SSO Supply.

NOW, THEREFORE, for and in consideration of the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties intending to be legally bound hereby agree as follows:

ARTICLE 1

DEFINITIONS

The following definitions and any terms defined in this Agreement shall apply hereunder.

"AEP Load Zone" means that set of electrical locations, designated by PJM as Pnode ID number 8445784, determined pursuant to the applicable PJM Tariff, rules, agreements and procedures, representing the aggregate area of consumption that includes AEP Ohio within PJM and used for the purposes of scheduling, reporting withdrawal volumes, and settling Energy transactions at aggregated load levels, to facilitate Energy market transactions.

"AEP Ohio Indemnified Party" has the meaning set forth in Section 10.1(a).

"Affiliate" means, with respect to any Person, any other Person (other than an individual) that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such Person. For this purpose, "control" means the direct or indirect ownership of fifty percent (50%) or more of the outstanding capital stock or other equity interests having ordinary voting power.

"Ancillary Services" has the meaning set forth in the PJM Agreements.

"Bankrupt" means with respect to any entity, that such entity (i) files a petition or otherwise commences or acquiesces in a proceeding under any bankruptcy, insolvency, reorganization or similar law, or has any such petition filed or commenced against it and such petition is not withdrawn or dismissed within thirty (30) days after such filing, (ii) makes an assignment or any general arrangement for the benefit of creditors, (iii) otherwise becomes bankrupt or insolvent (however evidenced), (iv) has a liquidator, administrator, receiver, trustee, conservator or similar official appointed with respect to it or any substantial portion of its property or assets, or (v) is unable to pay its debts as they fall due.

"Bankruptcy Code" means those laws of the United States of America related to bankruptcy, codified and enacted as Title 11 of the United States Code, entitled "Bankruptcy" and found at 11 U.S.C. § 101 et seq.

"Billing Period" means hour ending 0100 on the first day of a calendar month through hour ending 2400 on the last day of the applicable calendar month.

"Billing Statement" has the meaning set forth in Section 6.1(a).

"Business Day" means any day except a Saturday, Sunday or a day PJM declares to be a holiday, as posted on the PJM website. A Business Day shall open at 8:00 a.m. and close at 5:00 p.m. prevailing Eastern Time, unless otherwise agreed to by the Parties in writing.

"Capacity" means "Unforced Capacity" as set forth in the PJM Agreements, or any successor measurement of capacity obligation of an LSE as may be employed in PJM (whether set forth in the PJM Agreements or elsewhere).

"Charge" means any fee, charge, PJM charge, the Energy Share Adjustment if in favor of AEP Ohio, or any other amount that is billable by AEP Ohio to the SSO Supplier under this Agreement.

"Commercial/Industrial Customer" means a Customer taking service under one of AEP Ohio's non-residential rates (Rate GS-1, Rate GS-2, Rate GS-3, Rate GS-4, Rate GS-TOD, GS1-TOD, GS-2-TOD, Rate COGEN/SPP, Rate EHG, Rate EHS, or Rate SS.)

"Costs" mean, with respect to the Non-Defaulting Party, all reasonable attorney's fees, brokerage fees, commissions, PJM charges and other similar transaction costs and expenses reasonably incurred by such Party either in terminating any arrangement pursuant to which it has hedged its obligations or entering into new arrangements which replace this Agreement; and all reasonable attorney's fees and expenses incurred by the Non-Defaulting Party in connection with the termination of this Agreement as between AEP Ohio and the applicable SSO Supplier.

"Credit Limit" means an amount of credit, based on the creditworthiness of an SSO Supplier or its Guarantor, if applicable, determined pursuant to Section 5.6, granted by AEP Ohio to such SSO Supplier to be applied towards the Total Exposure Amount for such SSO Supplier.

"CRES Supplier" means a Person that is duly certified by the PUCO to offer and to assume the contractual and legal responsibility to provide Standard Service Offer pursuant to retail open access programs approved by the PUCO to Customers who are not SSO Customers of AEP Ohio.

"Cross Default Amount" means an amount equal to five percent (5%) of a Defaulting Party's or Defaulting Party's Guarantor's (as applicable) Tangible Net Worth.

"Customer" means any Person who receives distribution service from AEP Ohio in accordance with the Legal Authorities.

"Default Allocation Assessment" has the meaning set forth in the PJM Agreements.

"Default Damages" means direct damages, calculated in a commercially reasonable manner, that the Non-Defaulting Party incurs as a result of an Event of Default by the Defaulting Party. Default Damages may include: (i) the positive difference (if any) between the price of SSO Supply hereunder and the price at which AEP Ohio or the SSO Supplier is able to purchase or sell (as applicable) SSO Supply (or any components of SSO Supply it is able to purchase or sell) from or to third parties including other SSO Suppliers and PJM; (ii) Emergency Energy charges; (iii) additional transmission or congestion charges incurred to purchase or sell SSO Supply; and (iv) Costs.

"Defaulting Party" has the meaning set forth in Section 7.1.

"Delivery Period" means the Original Delivery Period, unless this Agreement is terminated earlier in accordance with the provisions hereof.

"Delivery Point" means the AEP Load Zone as defined within PJM.

"Early Termination" has the meaning set forth in Section 2.3.

"Early Termination Date" means, as between AEP Ohio and the applicable SSO Supplier, the date upon which an Early Termination becomes effective as specified in Section 7.2(b).

"Effective Date" has the meaning set forth in the preamble.

"Emergency" means (i) an abnormal system condition requiring manual or automatic action to maintain system frequency, or to prevent loss of firm load, equipment damage, or tripping of system elements that could adversely affect the reliability of an electric system or the safety of persons or property; (ii) a condition that requires implementation of emergency operations procedures; or (iii) any other condition or situation that AEP Ohio, transmission owner(s) or PJM deems imminently likely to endanger life or property or to affect or impair AEP Ohio's electrical system or the electrical system(s) of other Person(s) to which AEP Ohio's electrical system is directly or indirectly connected (a "Connected Entity"). Such a condition or situation may include potential overloading of AEP Ohio's subtransmission or distribution circuits, PJM minimum generation ("light load") conditions, or unusual operating conditions on either AEP Ohio's or a Connected Entity's electrical system, or conditions such that AEP Ohio is unable to accept Energy from the SSO Supplier without jeopardizing AEP Ohio's electrical system or a Connected Entity's electrical system.

"Emergency Energy" has the meaning set forth in the PJM Agreements.

"Energy" means electric energy of the character commonly known as three-phase, sixty-hertz electric energy that is delivered at the nominal voltage of the Delivery Point, expressed in MWh.

"Energy Share Adjustment" means for any Billing Period, the monetary amount due to an SSO Supplier or AEP Ohio, as the case may be, in order to reconcile any difference between the Estimated Monthly Energy Share used for the purpose of calculating estimated payments made to such SSO Supplier for a given month and the Final Monthly Energy Share used for calculating the final payments due to the SSO Supplier for such month, as more fully described in Article 6.

"Estimated Monthly Energy Share" means a quantity of Energy expressed in MWh which, for any Billing Period, is the preliminary calculation of the SSO Supplier's SSO Supplier Responsibility Share.

"Event of Default" has the meaning set forth in Section 7.1.

"Excess Collateral" has the meaning set forth in Section 5.7.

"FERC" means the Federal Energy Regulatory Commission or such succeeding organization.

"Final Monthly Energy Share" means a quantity of Energy expressed in MWh which, for any

Billing Period, is the Estimated Monthly Energy Share adjusted for any billing or metering errors found subsequent to the calculation of the Estimated Monthly Energy Share of which PJM is notified prior to the last date on which PJM issues a settlement statement for a previous operating day for the Billing Period.

"Firm Transmission Service" has the meaning ascribed to "Network Integration Transmission Service" under the PJM Agreements. In the event the PJM Agreements are modified such that "Network Integration Transmission Service" is no longer offered, Firm Transmission Service means the type of transmission service offered under the PJM Agreements that is accorded the highest level of priority for scheduling and curtailment purposes.

"Forward Market Prices" means forward market prices for a specific geographic Market Price Hub, as adjusted by AEP Ohio to reflect impact of load shape.

"Gains" means an amount equal to the present value of the economic benefit to the Non-Defaulting Party, if any, exclusive of Costs, resulting from an Early Termination.

"Governmental Authority" means any federal, state, local, municipal or other governmental entity, authority or agency, department, board, court, tribunal, regulatory commission, or other body, whether legislative, judicial or executive, together or individually, exercising or entitled to exercise any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power over a Party to this Agreement.

"Guarantor" means any Person having the authority and agreeing to guarantee an SSO Supplier's financial obligations under this Agreement, provided that such party meets AEP Ohio's creditworthiness requirements for SSO Suppliers.

"Guaranty" means the ICT Guaranty or the Total Exposure Amount Guaranty, as applicable.

"ICR Collateral" has the meaning set forth in Section 5.4(d).

"ICRT" has the meaning set forth in Section 5.3.

"ICT Guaranty" means a guaranty, in the form substantially set forth in Attachment D, provided by a Guarantor in favor of AEP Ohio guaranteeing an SSO Supplier's financial obligations in connection with ICT.

"Indemnification Losses" has the meaning set forth in Section 10.1(a).

"Indemnified Supplier" has the meaning set forth in Section 10.1(b).

"Independent Credit Requirement or ICR" means an amount per Tranche required as security under Section 5.3, to mitigate the risk to AEP Ohio of Energy price movements between the date of an Early Termination caused by an Event of Default by an SSO Supplier and the date the final calculation of Default Damages owing to AEP Ohio under Section 7.2(c) is made.

"Independent Credit Threshold or ICT" means an amount of credit, based on the creditworthiness of an SSO Supplier or its Guarantor, if applicable, determined pursuant to Section 5.4, granted by AEP Ohio to such SSO Supplier to be applied towards the satisfaction of such SSO Supplier's Independent Credit Requirement.

"Interest Rate" means, for any date, the lesser of (a) the per annum rate of interest equal to the prime lending rate ("Prime Rate") as may be published from time to time in the Federal Reserve Statistical Release H.15; or (b) the maximum lawful interest rate.

"Kilowatt or kW" means a unit of measurement of useful power equivalent to 1,000 watts.

"Kilowatt-hour or kWh" means one kilowatt of electric power used over a period of one hour.

"Legal Authorities" means, generally, those federal and Ohio statutes and administrative rules and regulations that govern the electric utility industry in Ohio.

"Letter of Credit" means a standby irrevocable letter of credit in the form set forth in Attachment E, or in such other form as AEP Ohio deems acceptable in its sole discretion, and in each case conforming to all of the requirements specifically set forth in Section 5.9(b).

"LIBOR" means the rates published daily as the London Inter-Bank Offered Rates for U.S. dollar deposits. For discounting purposes, the rates will be converted into a series of monthly rates representing the equivalent forward LIBOR rate from the valuation date to the month of delivery.

"Lighting Customer" means a Customer taking service under AEP Ohio's lighting rates (Ohio Power Rate Zone: Rate AL or Rate SL; Columbus Southern Power Rate Zone: Rate AL or Rate SL).

"Load Serving Entity or LSE" has the meaning set forth in the applicable PJM Agreements.

"Losses" means an amount equal to the present value of the economic loss to the Non-Defaulting Party, if any, exclusive of Costs, resulting from an Early Termination.

"Margin" means, at any time, the amount by which the Total Exposure Amount exceeds the Credit Limit of the SSO Supplier or its Guarantor.

"Margin Call" has the meaning set forth in Section 5.6(e).

"Margin Collateral" has the meaning set forth in Section 5.6(e).

"Margin Interest Rate" means the Federal Funds Effective Rate, defined below, for the period of time the funds are on deposit. The Federal Funds Effective Rate is published daily on the Federal Reserve website at: http://federalreserve.gov/releases/h15/update/, or its successor.

"Mark-to-Market Exposure Amount" means an amount calculated daily for each SSO Supplier reflecting the exposure to AEP Ohio due to fluctuations in market prices for Energy as set forth in Section 5.5.

"Market Price Hub" means a liquid pricing point located within PJM's geographic footprint.

"Minimum Margin Threshold" means $100,000.

"Minimum Rating" means a minimum senior unsecured debt rating (or, if unavailable, corporate or issuer rating) as defined in Section 5.4(a).

"MW" means megaWatt.

"MWh" means megaWatt hour.

"NERC" means the North American Electric Reliability Corporation or its successor.

"Non-Defaulting Party" means (i) where an SSO Supplier is the Defaulting Party, AEP Ohio; (ii) where AEP Ohio is the Defaulting Party with respect to an Event of Default, the SSO Supplier to which the applicable obligation was owed.

"Ohio Sales and Use Taxes" has the meaning set forth in Section 12.8.

"Original Delivery Period" has the meaning set forth in Attachment A.

"Other Energy Supply Agreement" has the meaning set forth in Section 7.3(c).

"Party" has the meaning set forth in the preamble to this Agreement, and includes such Party's successors and permitted assigns.

"Performance Assurance" means collateral in the form of cash, letters of credit, or other security reasonably acceptable to the requesting party.

"Person" means an individual, partnership, joint venture, corporation, limited liability company, trust, association or unincorporated organization, any Governmental Authority, or any other entity.

"PIPP Customers" means Customers that take service under AEP Ohio's percentage of income payment plan.

"PJM" means PJM Interconnection, L.L.C. or any successor organization thereto.

"PJM Agreements" means the PJM OATT, PJM Operating Agreement, PJM RAA and any other applicable PJM manuals or documents, or any successor, superseding or amended versions thereof that may take effect from time to time.

"PJM E-Account" means an account obtainable through PJM which provides access to web-based PJM scheduling, settlement, accounting, marketing and other informational and economic systems.

"PJM OATT or PJM Tariff" means the Open Access Transmission Tariff of PJM or the successor, superseding or amended versions of the Open Access Transmission Tariff that may take effect from time to time.

"PJM Operating Agreement" means the Amended and Restated Operating Agreement of PJM or the successor, superseding or amended versions of the Amended and Restated Operating Agreement that may take effect from time to time.

"PJM RAA" means the Reliability Assurance Agreement Among Load Serving Entities in the PJM Region or any successor, superseding or amended versions of the Reliability Assurance Agreement Among Load Serving Entities in the PJM Region that may take effect from time to time.

"Price" means, with respect to each SSO Supplier, the price in $/MWh set forth in Attachment A, resulting from AEP Ohio's Solicitation for the opportunity to provide SSO Supply. The Price is the basis for financial settlement of SSO Supply supplied by an SSO Supplier for SSO Customers under this Agreement.

"PUCO" means the Public Utilities Commission of Ohio, or any successor thereto.

"Residential Customer" means a Customer taking service under AEP Ohio's residential rates (Ohio Power Rate Zone: Rate RS, Rate RS-ES, Rate RS-TOD or Rate RDMS; Columbus Southern Power Rate Zone: Rate R-R, Rate R-R-1, Rate RLM, Rate RS-ES, Rate RS-TOD, Rate RS-TOD2, Rate CPP or Rate RS-RTP).

"Seasonal Billing Factor" means a numerical factor, as set forth in Attachment B, one amount applicable during the summer months of June through September, and one amount applicable during the non-summer months of October through May, applied to the Price in accordance with the provisions of Article 6 and thereby used to adjust AEP Ohio's payments to SSO Suppliers.

"Settlement Amount" means the net amount of the Losses or Gains, and Costs, expressed in U.S. Dollars, which the Non-Defaulting Party incurs as a result of Early Termination, calculated from the Early Termination Date through the end of the Original Delivery Period. For purposes of calculating the Settlement Amount, the quantity of Energy (and other components of SSO Supply) provided for under this Agreement for the period following the Early Termination Date through the remainder of the Original Delivery Period will be determined by the Non-Defaulting Party in a commercially reasonable manner reflecting estimated SSO Load for un-switched customers as of the Early Termination Date based on the then most recent load switching report filed by AEP Ohio with the PUCO as of the Early Termination Date. The calculation of Settlement Amount with respect to an Early Termination shall exclude Default Damages calculated pursuant to Section 7.3(a).

"Solicitation" means the auction by which the counterparty, quantity, pricing and other terms of this Agreement are established.

"Special Contract Customers" means Customers that take retail generation service from AEP Ohio under terms and conditions different than the otherwise applicable tariff.

"Specified Indebtedness" with respect to a Party means as of any date, without duplication, (i) all obligations of such Party for borrowed money, (ii) all indebtedness of such Party for the deferred purchase price of property or services purchased (excluding current accounts payable incurred in the ordinary course of business), (iii) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired, (iv) all indebtedness under leases which shall have been or should be, in accordance with generally accepted accounting principles, recorded as capital leases in respect of which such Party is liable as lessee, (v) the face amount of all outstanding letters of credit issued for the account of such Party (other than letters of credit relating to indebtedness included in indebtedness of such Party pursuant to another clause of this definition) and, without duplication, the unreimbursed amount of all drafts drawn thereunder, (vi) indebtedness secured by any lien on property or assets of such Party, whether or not assumed (but in any event not exceeding the fair market value of the property or asset), (vii) all direct guarantees of indebtedness referred to above of another Party, (viii) all amounts payable in connection with mandatory redemptions or repurchases of preferred stock or member interests or

other preferred or priority equity interests and (ix) any obligations of such Party (in the nature of principal or interest) in respect of acceptances or similar obligations issued or created for the account of such Party.

"SSO Customers" means Residential Customers, Commercial/Industrial Customers, Lighting Customers, Special Contract Customers, and any other Customer taking retail generation service from AEP Ohio, but excluding PIPP Customers.

"SSO Load" means the full electricity requirements for SSO Service of SSO Customers.

"SSO Service" means Standard Service Offer service that is not provided by a CRES Supplier.

"SSO Supplier" has the meaning set forth in the preamble.

"SSO Supplier Responsibility Share" means, for each SSO Supplier, the fixed percentage share of the SSO Load for which the SSO Supplier is responsible as set forth in Attachment A.

"SSO Supply" means unbundled Energy, Capacity and Ancillary Services, including, to the extent not expressly assumed by AEP Ohio pursuant to Section 3.2, all transmission and distribution losses and congestion and imbalance costs associated with the provision of such services, as measured and reported to PJM, and such other services or products that an SSO Supplier may be required to provide, by PJM or other Governmental Authority, in order to meet the requirements of SSO Service.

"Standard Service Offer" means a market-based standard service offer provided by AEP Ohio under PUCO tariffs of all competitive retail electric services necessary to maintain essential electric service to Customers, including Energy, Capacity, Ancillary Services and Firm Transmission Service, including all transmission and distribution losses, congestion and imbalance costs associated with the provision of the foregoing services, other obligations or responsibilities currently imposed or that may be imposed by PJM, and such other services or products that are provided by a CRES Supplier to fulfill its obligations to serve customer load, as required by Section 4928.141 of the Ohio Revised Code.

"Tangible Net Worth" or "TNW" means total assets less intangible assets and total liabilities. Intangible assets include benefits such as goodwill, patents, copyrights and trademarks, each as would be reflected on a balance sheet prepared in accordance with generally accepted accounting principles.

"Taxes" have the meaning set forth in Section 12.8.

"Term" has the meaning set forth in Section 2.1.

"Termination Payment" has the meaning set forth in Section 7.3(c).

"Total Exposure Amount" means an amount calculated daily for each SSO Supplier reflecting the total credit exposure to AEP Ohio and consisting of the sum of: (i) the Mark-to-Market Exposure Amount arising under this Agreement; (ii) any amount(s) designated as the "mark-to-market exposure amount" (or similar designation) under any Other Energy Supply Agreement; and (iii) the amount designated as the "credit exposure" (or similar designation) under any Other Energy

Supply Agreement; less (iv) amounts due to such SSO Supplier pursuant to Section 6.1; provided that in the event the amount calculated for any day is a negative number, it shall be deemed to be zero for such day.

"Total Exposure Amount Guaranty" means a guaranty, in substantially similar form as set forth in Attachment D, provided by a Guarantor in favor of AEP Ohio guaranteeing an SSO Supplier's financial obligation with respect to its Total Exposure Amount.

"Tranche" means a fixed percentage share of the SSO Load as determined for the purposes of the Solicitation conducted to procure SSO Supply for the SSO Load.

ARTICLE 2

TERM AND TERMINATION

2.1 Term

The Term of this Agreement shall begin on the Effective Date and extend through and include the end of May 31, 201__ ("Term") unless terminated earlier or extended pursuant to the terms of this Agreement; provided, however, that the provision of SSO Supply by SSO Suppliers will commence on the period set forth in the applicable Attachment A as the Original Delivery Period starting at 12:01 a.m. prevailing Eastern Time and ending though the date specified in Attachment A.

2.2 Mutual Termination

AEP Ohio and any SSO Supplier may terminate this Agreement at any time during the Term on such terms and under such conditions as they mutually agree.

2.3 Early Termination

This Agreement may be terminated by a Party prior to the end of the Term due to an occurrence of an Event of Default and the declaration of an Early Termination Date by the Non-Defaulting Party pursuant to Section 7.2 (an "Early Termination").

2.4 Effect of Termination

The applicable provisions of this Agreement shall continue in effect and survive the termination of this Agreement to the extent necessary to provide for final accounting, billing,

billing adjustments, resolution of any billing disputes, realization of any collateral or other security, set-off, final payments, or payments pertaining to liability and indemnification obligations arising from acts or events that occurred in connection with this Agreement during the Term.

ARTICLE 3

GENERAL TERMS AND CONDITIONS

3.1 SSO Supplier's Obligations to Provide SSO Supply and Other Obligations

Each SSO Supplier hereby agrees, severally, but not jointly, as follows:

(a) during the Delivery Period, such SSO Supplier shall sell, deliver and provide SSO Supply on a firm and continuing basis in order to meet its SSO Supplier Responsibility Share, in accordance with this Agreement and the PJM Agreements;

(b) (i) except with respect to Capacity, each SSO Supplier's obligation under Section 3.1(a) will result in physical delivery of SSO Supply and not financial settlement; (ii) the quantity of SSO Supply that such SSO Supplier must deliver will be determined by the requirements of the SSO Load, which may be different than the amount indicated in the Solicitation; and (iii) this Agreement does not provide for an option by such SSO Supplier with respect to the quantity of SSO Supply to be delivered;

(c) in connection with the provision of SSO Supply at the Delivery Point each SSO Supplier shall be responsible for, in proportion to its SSO Supplier Responsibilty Share, all costs and expenses in Attachment F, PJM billing statement line items, identified as the responsibility of the SSO Supplier, and any other costs and expenses related to transmission and Ancillary Services, unless otherwise expressly indicated otherwise in this Agreement.

(d) during the Term, each SSO Supplier is responsible, at its sole cost and expense, for any changes in PJM products and pricing required for the delivery of its SSO Supplier Responsibility Share, including all other costs and expenses related to transmission and Ancillary Services in connection with the provision of SSO Supply in proportion to its SSO Supplier Responsibility Share, except for any changes to products or the pricing of such products that are the responsibility of AEP Ohio pursuant to Section 3.2;

(e) each SSO Supplier is responsible for all transmission and distribution losses and congestion and imbalance costs incurred to supply its SSO Supplier Responsibility Share;

(f) each SSO Supplier shall be at all times during the Delivery Period (i) a member in good standing of PJM and (ii) qualified by PJM as a "Market Buyer" and "Market Seller" pursuant to the PJM Agreements, and (iii) qualified as a PJM "Load Serving Entity";

(g) each SSO Supplier shall be responsible, and be liable, to PJM for the performance of its LSE obligations associated with the provision of SSO Supply under this Agreement;

(h) each SSO Supplier shall have and maintain, throughout the Delivery Period, FERC authorization to make sales of Energy, Capacity, and Ancillary Services at market-based rates within PJM; and

(i) each SSO Supplier shall deliver SSO Supply to the Delivery Point under this Agreement free and clear of any and liens, security interests, claims and encumbrances or any interest therein or thereto by any Person.

3.2 AEP Ohio's Obligation to Take SSO Supply and other Obligations

AEP Ohio hereby agrees as follows:

(a) during the Delivery Period, AEP Ohio shall purchase and accept SSO Supply provided by an SSO Supplier pursuant to Section 3.1 at the Delivery Point and shall make payment to the SSO Supplier based on the Price; and

(b) during the Delivery Period, AEP Ohio shall be a member in good standing of PJM; and

(c) during the Delivery Period, AEP Ohio shall be responsible for the provision of Firm Transmission Service from the Delivery Point; and

(d) AEP Ohio shall be responsible, at its sole costs and expense, for:

(i) charges and credits assessed under, Schedule 1A (Transmission Owner Scheduling, System Control and Dispatch Services), Schedule 2 (Reactive Supply

and Voltage Control from Generation or Other Sources Services), "Network Integration Transmission Service (NITS)" under the PJM Agreements, and Schedule 12 (Transmission Enhancement Charge) of the PJM Tariff;

(ii) other non-market-based costs, fees or charges imposed on or charged to AEP Ohio by FERC or a regional transmission organization, independent transmission operator, or similar organization approved by FERC; and

(iii) with regard to the foregoing, such services and schedules as they may be modified or superseded from time to time;

(e) AEP Ohio will be responsible for (i) metering, billing and delivery with respect to SSO Customers (and SSO Suppliers will have no responsibility with respect thereto) and (ii) distribution services (and SSO Suppliers will have no responsibility with respect thereto); and

(f) AEP Ohio will be responsible, at its sole cost and expense, for the provision of any renewable energy resource requirement as set forth in Ohio Rev. Code Ann. Sections 4928.64 and 4928.65 and regulations promulgated in respect thereto.

3.3 PJM E-Accounts

Each SSO Supplier and AEP Ohio shall work with PJM to establish any PJM E-Accounts necessary for such SSO Supplier to provide SSO Supply. Each SSO Supplier may manage its PJM E-Accounts in its sole discretion; provided such SSO Supplier acts in accordance with the standards set forth in the PJM Agreements.

3.4 Reliability Guidelines

Each Party agrees to adhere to the applicable operating policies, criteria and guidelines of the NERC, PJM, their successors, and any regional and sub-regional requirements.

3.5 Regulatory Authorizations

(a) AEP Ohio and each SSO Supplier shall obtain and maintain throughout the Delivery Period all regulatory authorizations necessary to perform their respective obligations under this Agreement.

(b) Each SSO Supplier shall cooperate in good faith with AEP Ohio in any regulatory compliance efforts as may be required to maintain the ongoing legitimacy and enforceability of the terms of this Agreement and to fulfill any regulatory reporting requirement associated with the provision of SSO Supply before the PUCO, FERC or any other Governmental Authority.

3.6 PJM Member Default Cost Allocation

In the event PJM imposes a Default Allocation Assessment upon AEP Ohio relating to a default during the Term, AEP Ohio may, in its sole discretion, invoice each SSO Supplier, based on its SSO Supplier Responsibility Share, for amounts determined, in AEP Ohio's sole discretion, to be properly payable by such SSO Supplier from the Default Allocation Assessment and each SSO Supplier shall pay such amounts within three (3) Business Days after receipt of such invoice, subject to the dispute resolution procedures set forth in Section 11.

3.7 Status of SSO Supplier

In order to meet AEP Ohio's service obligations under Legal Authorities, it is the intent of the Parties that each SSO Supplier shall be deemed a LSE for the duration of the Delivery Period pursuant to the PJM Agreements and Legal Authorities.

3.8 Sales for Resale

All SSO Supply provided by an SSO Supplier to AEP Ohio shall be sales for resale, with AEP Ohio reselling such SSO Supply to SSO Customers.

3.9 Declaration of Authority

As designated or otherwise required by AEP Ohio, AEP Ohio and each SSO Supplier shall execute a Declaration of Authority, a representative form of which is attached hereto as Attachment G.

ARTICLE 4

SCHEDULING, FORECASTING AND INFORMATION SHARING

4.1 Scheduling

(a) Each SSO Supplier shall schedule SSO Supply and make all necessary arrangements for the delivery of SSO Supply through the PJM Office of Interconnection pursuant to the PJM Agreements.

(b) AEP Ohio will provide to each SSO Supplier and to PJM all information required by PJM for the purpose of calculating each SSO Supplier's SSO Supply obligations, including the magnitude of each SSO Supplier's SSO Supply obligation, as required by the PJM Office of Interconnection.

4.2 Load Forecasting

AEP Ohio shall not be required to provide to any SSO Supplier any load forecasting services.

4.3 Disconnection and Curtailment by AEP Ohio

AEP Ohio shall have the right, without incurring any liability to any SSO Supplier, to disconnect (or otherwise curtail, interrupt or reduce deliveries from) the SSO Suppliers or to disconnect (or otherwise curtail, interrupt or reduce deliveries to) any Customer whenever AEP Ohio determines in its discretion acting in good faith that such a disconnection, curtailment, interruption or reduction is necessary to facilitate construction, installation, maintenance, repair, replacement or inspection of any of AEP Ohio's facilities; or due to any other reason affecting the safe and reliable operation of any of AEP Ohio's or a Customer's facilities, including Emergencies, forced outages or potential overloading of any of AEP Ohio's transmission or distribution circuits, potential damage to the Customer's facilities or any risk of injury to persons, or when AEP Ohio is directed by PJM. AEP Ohio shall not show any preference for any Affiliate in connection with any such disconnection, curtailment or reduction.

4.4 Loss of Service to SSO Customers

The Parties agree and acknowledge that service to SSO Customers may be lost due to storms, weather, accidents, breakage of equipment or other events beyond the reasonable control of AEP Ohio affecting the transmission and distribution facilities of AEP Ohio. No Party will have any liability to any other Party for the occurrence of such events. In no event will a loss of service to a Customer affect a Party's obligation to make any payments then due or becoming due with respect to performance rendered prior to such loss of service.

4.5 PJM Requirements

The Parties acknowledge and agree that, as members of PJM, each of them is bound by the PJM Agreements and any other operating instructions, policies and procedures set forth by PJM. Each SSO Supplier acknowledges and agrees that it will cooperate with AEP Ohio and PJM as the applicable balancing authority and reliability coordinator so that AEP Ohio will be in compliance with all PJM emergency operations procedures, which include procedures pertaining to minimum and maximum generation Emergencies, and measures requiring involuntary Customer participation, such as supply voltage reduction and full interruption of Customer load by either manual or automatic means.

4.6 Compliance with Governmental Directives

Each SSO Supplier acknowledges and agrees that AEP Ohio may need to act in response to directives by a Governmental Authority that may affect SSO Supply or SSO Load. Each SSO Supplier agrees to cooperate fully with AEP Ohio in order to comply with such directives.

ARTICLE 5

CREDIT AND PERFORMANCE SECURITY

5.1 Applicability

Each SSO Supplier agrees that it will meet the creditworthiness standards of this Article 5 at all times during the Term and will inform AEP Ohio immediately of any changes in its credit rating or financial condition. Without limiting the foregoing, each SSO Supplier shall, upon the written request of AEP Ohio, affirmatively demonstrate to AEP Ohio in a manner satisfactory to

AEP Ohio its compliance with the creditworthiness standards set forth hereunder. AEP Ohio may establish less restrictive creditworthiness standards under this Article 5 in a non-discriminatory manner.

During the Term, each SSO Supplier or its Guarantor, if applicable, that has been granted an Independent Credit Threshold or a Credit Limit agrees to provide as soon as practicable (i) after the end of each fiscal year, complete annual audited financial statements (including footnotes), and (ii) after the end of each fiscal quarter, complete quarterly unaudited financial statements (including footnotes). If such financial statements are readily and timely available from the SSO Supplier's website or other public website such as www.sec.gov, then this requirement shall be deemed to be satisfied.

5.2 Creditworthiness Determination

AEP Ohio will determine the creditworthiness of an SSO Supplier or its Guarantor, if applicable, whether organized under the laws of the United States or organized under the laws of a foreign jurisdiction, based on its most recent senior unsecured debt rating (or, if unavailable, its corporate or issuer rating). AEP Ohio will have full discretion, without liability or recourse to such SSO Supplier or its Guarantor, if applicable, to evaluate the evidence of creditworthiness submitted by such SSO Supplier or Guarantor. AEP Ohio may re-evaluate the creditworthiness of an SSO Supplier or Guarantor from time to time, including whenever it becomes aware of an adverse change in such SSO Supplier's or Guarantor's credit standing. In addition, the SSO Supplier may petition AEP Ohio to re-evaluate its creditworthiness whenever an event occurs that the SSO Supplier reasonably believes would improve the determination made by AEP Ohio of its or its Guarantor's creditworthiness. AEP Ohio's credit re-evaluation must be completed as soon as practicable, but in no event longer than thirty (30) days after receiving a fully documented request. AEP Ohio shall provide the rationale for its determination of the Credit Limit and any resulting security requirement and such determination shall be deemed final and conclusive. AEP Ohio shall perform its credit re-evaluation and associated security calculation in a non-discriminatory manner. Each SSO Supplier or its Guarantor shall provide unrestricted access to its audited financial statements; however, if audited financial statements are not available, AEP Ohio may specify other types of financial statements that will be accepted. If AEP Ohio determines in its sole discretion that it is unable to adequately assess an SSO Supplier's or Guarantor's creditworthiness or the

credit rating of an SSO Supplier or its Guarantor is insufficient, such SSO Supplier shall be required to post ICR Collateral in accordance with Section 5.4(d) and Margin Collateral in accordance with Section 5.7.

5.3 Independent Credit Requirement

The Independent Credit Requirement ("ICR") per Tranche ("ICRT") that will be required of each SSO Supplier under this Agreement will initially be the sum of the amounts set forth on Attachment C-1 at the inception of the Original Delivery Period for each Tranche and will decline throughout the Term in accordance with the schedule set forth on Attachment C-1.

5.4 Independent Credit Threshold

Each SSO Supplier that qualifies under the following criteria will be granted an Independent Credit Threshold ("ICT").

(a) For an SSO Supplier or its Guarantor that has been organized under the laws of the United States, the following requirements must be satisfied in order for such SSO Supplier to be granted an ICT:

(i) the SSO Supplier or its Guarantor, as applicable, must (1) be rated by Standard & Poor's Rating Services ("S&P"), Moody's Investors Service, Inc. ("Moody's") or Fitch, Inc. ("Fitch"), and (2) have a minimum senior unsecured debt rating (or, if unavailable, corporate or issuer rating) of at least "BB" from S&P, "Ba2" from Moody's, or "BB" from Fitch (a "Minimum Rating"). If the SSO Supplier or its Guarantor is rated by only two rating agencies and the ratings are split, the lower rating will be used. If the SSO Supplier or its 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 SSO Supplier or its Guarantor, as applicable, and the Affiliate(s) will proportionally share the maximum level of the ICT using the highest rating as determined for the SSO Supplier or its Guarantor, as applicable, and the Affiliate(s). The maximum

level of the ICT will be determined based on the following table:

Credit Rating of the SSO Supplier or its Guarantor			Maximum Independent Credit Threshold (calculated as the lesser of the percentage of TNW and the applicable Independent Credit Threshold Cap below)	
S&P	Moody's	Fitch	Percentage of TNW	Independent Credit Threshold Cap
A- and above	A3 and above	A- and above	16%	Not applicable
BBB+	Baa1	BBB+	10%	Not applicable
BBB	Baa2	BBB	10%	Not applicable
BBB-	Baa3	BBB-	8%	Not applicable
BB+	Ba1	BB+	2%	$3,000,000
BB	Ba2	BB	1%	$1,500,000
BB- and below	Ba3 and below	BB- and below	0%	$0

(ii) for SSO Suppliers having a Guarantor, the maximum level of the ICT that can be granted based on an ICT Guaranty will be determined in accordance with subsection (i) above, with reference to the credit rating of the Guarantor.

The ICT granted to the SSO Supplier will not exceed the amount of the ICT Guaranty. The ICT Guaranty tendered by the SSO Supplier to satisfy the ICT requirement arising under this Section 5.4 shall be a separate guaranty from the Total Exposure Amount Guaranty, if any, tendered by the SSO Supplier to satisfy any requirement for a Credit Limit to cover the Total Exposure Amount arising under Section 5.6; provided, however, that a single Guaranty may be provided if such Guaranty is for an unlimited amount.

(b) For an SSO Supplier or its Guarantor that has not been organized under the laws of the United States, the following requirements must be satisfied in order for such SSO Supplier to be granted an ICT:

(i) the SSO Supplier must supply such evidence of creditworthiness as to provide AEP 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) the Guarantor of an SSO Supplier must supply such evidence of creditworthiness as to provide AEP 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. AEP Ohio may reject such Guarantors that do not meet the creditworthiness requirements.

(c) All SSO Suppliers or Guarantors of SSO Suppliers that have not been organized under the laws of the United States must, in addition to all documentation required elsewhere in this Section 5.4, supply the following to AEP Ohio as a condition of being granted an ICT:

(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. AEP 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 ICT 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 ICT 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 ICT Guaranty on behalf of the Guarantor has the authority to execute the ICT Guaranty and that the governing board of such Guarantor has approved the execution of the ICT Guaranty. AEP 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.

(d) SSO Suppliers who do not qualify for an ICT or whose ICT plus the amount of any cash or Letter of Credit already posted in accordance with Section 5.9 to satisfy its aggregate ICR under this Agreement and any Other Energy Supply Agreement (the "ICR Collateral") does not meet its aggregate ICR under this Agreement and any Other Energy Supply Agreement, must post ICR Collateral at the time of or prior to the Effective Date to the extent its aggregate ICR under this Agreement and any Other Energy Supply Agreement exceeds its ICT.

(e) Under no circumstances shall the ICT hereunder plus any other independent credit threshold granted to the SSO Supplier or its Guarantor under any Other Energy Supply Agreement exceed the maximum ICT hereunder.

5.5 Mark-to-Market Credit Exposure Methodology

To calculate the Mark-to-Market Exposure Amount for each SSO Supplier, the following mark-to-market credit exposure methodology will be used. A "market value" for each Tranche will be determined at the time the Solicitation is completed based on the then prevailing market prices, as described further in Attachment C-2. At the time the Solicitation is completed, the Mark-to-Market Exposure Amount for each SSO Supplier shall be set equal to zero. Subsequently, the

differences between the prevailing market prices on a valuation date and the market prices in effect on the date the Solicitation is completed will be used to calculate the Mark-to-Market Exposure Amounts for each SSO Supplier, as described further in Attachment C-2. The total Mark-to-Market Exposure Amount will be equal to the sum of the Mark-to-Market Exposure Amounts for each Billing Period, or portion thereof, remaining during the Original Delivery Period. Forward Market Prices will be determined with reference to publicly available market price quotations obtained by AEP Ohio, as adjusted by AEP Ohio to more closely approximate the price impact of serving a slice-of-system product which reflects 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 AEP Ohio using any method which AEP 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 AEP 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 Assurance acceptable to AEP 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. 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 or its Guarantor, as applicable, and the Affiliate(s) will proportionally share the maximum level of the Credit Limit using the highest rating as determined for the SSO Supplier or its Guarantor, as applicable, 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 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%	$75,000,000
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%	$10,000,000
BB	Ba2	BB	1%	$5,000,000
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 AEP 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 AEP 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

AEP 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. AEP 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 AEP 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. AEP 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. AEP 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.

(e) 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 AEP Ohio on or prior to the Effective Date, but may be modified in any amended or substitute Total Exposure Amount Guaranty provided to AEP 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 AEP Ohio has made a demand of the SSO Supplier to cover Margin (a "Margin Call") but before the SSO Supplier has provided AEP Ohio with cash credited to a deposit account of AEP Ohio or a Letter of Credit in accordance with Section 5.9, in each case in an amount equal to or exceeding the Margin (the "Margin Collateral"). Notwithstanding anything herein to contrary, the SSO Supplier may increase the amount of its Total Exposure Amount Guaranty after satisfying a Margin Call. Upon AEP Ohio's receipt of an amended or substitute Total Exposure Amount Guaranty increasing the amount 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 AEP Ohio as set forth in Section 5.7 of this Agreement.

(f) Under no circumstances shall the Credit Limit hereunder plus any other credit limit granted to the SSO Supplier or its Guarantor under any Other Energy 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 AEP Ohio on any Business Day may make a Margin Call of such SSO

Supplier; provided however that AEP 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 AEP Ohio Margin Collateral, which shall comprise of cash or a Letter of Credit. The Margin Collateral shall be in the amount equal to the Margin less the amount of any Margin Collateral already posted by the SSO Supplier in which AEP Ohio has a first priority, perfected security interest to secure the obligations of the SSO Supplier under this Agreement and any Other Energy Supply Agreement. For the avoidance of doubt, any ICR Collateral posted pursuant to Section 5.4 shall not constitute Margin Collateral.

If an SSO Supplier receives a Margin Call from AEP Ohio by 1:00 p.m. prevailing Eastern Time on a Business Day, then such SSO Supplier shall post Margin Collateral the following Business Day if posting cash and the second Business Day following the Margin Call if posting a Letter of Credit, unless in each case AEP Ohio agrees in writing to extend the period to provide Margin Collateral. If the SSO Supplier receives a Margin Call after 1:00 p.m. prevailing Eastern Time on a Business Day, whether posting cash or a Letter of Credit, then the SSO Supplier must post Margin Collateral on the second Business Day following the Margin Call unless AEP Ohio agrees in writing to extend the period to provide Margin Collateral. AEP Ohio will not unreasonably deny a request for a one-day extension of such period.

Margin Collateral being held by AEP Ohio that is not needed to satisfy the Margin ("Excess Collateral"), will be returned to the SSO Supplier upon receipt of a written request from the SSO Supplier; provided, however, that the SSO Supplier may not request Excess Collateral until such Excess Collateral exceeds the Minimum Margin Threshold. If the SSO Supplier posted cash and notice is received by AEP Ohio by 1:00 p.m. prevailing Eastern Time on a Business Day, the Excess Collateral will be returned by the following Business Day and if the SSO Supplier posted cash and notice is received by AEP Ohio after 1:00 p.m. prevailing Eastern Time on a Business Day, the Excess Collateral will be returned by the second Business Day following the date of notice. If the SSO Supplier posted a Letter of Credit, the Excess Collateral shall be returned on the next Business Day following the Business Day on which the amendment to the Letter of Credit is received from the issuing bank, unless in each case the SSO Supplier agrees in writing to extend such period for returning the Excess Collateral. The SSO Supplier will not unreasonably deny a request for a one-day extension of the period for returning the Excess Collateral.

5.8 Grant of Security Interest; Remedies

To secure its obligations under this Agreement, the SSO Supplier hereby grants to AEP Ohio a present and continuing security interest in, and lien on (and right of setoff against), its right, title and interest, whether now owned or hereafter acquired or arising, in (i) all deposit accounts in the name of AEP Ohio or partially in the name of AEP Ohio or held for the benefit of AEP Ohio and all funds credited to any and all of the foregoing, (ii) all securities, instruments (including promissory notes), money (each of the foregoing terms as defined in the UCC), cash and other tangible property delivered to and held by AEP Ohio (or its agents or custodians) and (iii) all proceeds (as defined in the UCC) of any and all of the foregoing. The SSO Supplier agrees to take such action as reasonably required to create and perfect AEP Ohio's first priority security interest in, and lien on (and right of setoff against), such collateral and any and all proceeds resulting therefrom or from the liquidation thereof. Upon or at any time after the occurrence or deemed occurrence and during the continuation of an Event of Default where an SSO Supplier is the Defaulting Party or an Early Termination Date (whether or not such SSO Supplier was the Defaulting Party), AEP Ohio may do any one or more of the following in any order: (i) exercise any of the rights and remedies of AEP Ohio, including the right to set-off and liquidation, against any and all ICR Collateral, Margin Collateral or other collateral of such SSO Supplier in the possession of AEP Ohio, whether held in connection with this Agreement or any Other Energy Supply Agreement, including any such rights and remedies under law then in effect, free from any claim or right of any nature whatsoever of such SSO Supplier; and (ii) draw on any outstanding Letter of Credit provided by such SSO Supplier. AEP Ohio will apply the proceeds of the collateral realized upon the exercise of such rights or remedies to reduce such SSO Supplier's obligations under this Agreement and under any Other Energy Supply Agreement, and such SSO Supplier shall remain liable for any amounts owing to AEP Ohio after such application, subject to AEP Ohio's obligation to return any surplus proceeds remaining after all such obligations are satisfied in full.

All notices, demands or requests regarding credit requirements and credit-related security or deposit transfers shall be sent in accordance with Section 12.2.

5.9 Acceptable Forms of Security

At each SSO Supplier's option, the following are deemed to be acceptable for posting Margin Collateral or ICR Collateral, if required:

(a) Cash credited to a deposit account of AEP Ohio; and

(b) A Letter of Credit, which shall state that such Letter of Credit will renew automatically for successive one-year or shorter periods, until terminated upon at least ninety (90) days' prior written notice from the issuing financial institution. If AEP Ohio receives notice from the issuing financial institution that the Letter of Credit is being cancelled, the SSO Supplier will be required to provide a substitute Letter of Credit from an alternative bank satisfying the requirements in this Section 5.9. The receipt of the substitute Letter of Credit must be effective as of the cancellation date and delivered to AEP Ohio thirty (30) days before the cancellation date of the original Letter of Credit. If the SSO Supplier fails to supply a substitute Letter of Credit as required, then AEP Ohio will have the right to draw on the existing Letter of Credit and to hold the amount as Margin Collateral or ICR Collateral, as applicable.

The Letter of Credit shall be issued by a U.S. commercial bank or by a U.S. branch of a foreign bank with total assets of at least $5 billion having a general long-term senior unsecured debt rating of A- or higher as rated by S&P or A3 or higher as rated by Moody's and shall permit presentation at a bank located in the United States of America.

If at any time the bank or other financial institution from which an SSO Supplier has obtained a Letter of Credit fails to meet the foregoing conditions, the SSO Supplier will immediately notify AEP Ohio and, within one (1) Business Day of the failure of the financial institution to meet the required conditions, obtain a suitable Letter of Credit from another bank or other financial institution that meets those standards, unless such period is extended in writing by AEP Ohio. For avoidance of doubt, SSO Supplier may elect to substitute a cash deposit for the Letter of Credit within the time frame specified herein.

Notwithstanding anything in this Agreement to the contrary, AEP Ohio may exercise any rights or claims to any collateral posted, delivered or pledged to them under this Agreement, before, after, concurrently with, or to the exclusion of, any other collateral posted, delivered or

pledged prior to applying any cash collateral against, or making a drawing under any letter of credit in respect of, any liabilities of the SSO Supplier hereunder or its Guarantor under the Guaranty to AEP Ohio or any of them.

5.10 Reporting; Maintenance of Creditworthiness

(a) Each SSO Supplier must promptly notify AEP Ohio of any change in its or its Guarantor's credit rating or financial condition. The SSO Supplier or Guarantor must also furnish evidence of an acceptable credit rating or financial condition upon the request of AEP Ohio.

(b) If the lowest credit rating (whether corporate or issuer rating or unsecured senior debt rating) used to determine the SSO Supplier's ICT or its Credit Limit adversely changes, AEP Ohio will require ICR Collateral or Margin Collateral from such SSO Supplier in accordance with Sections 5.4, 5.6 and 5.7. The additional security must be in a form acceptable to AEP Ohio, as specified in Section 5.9.

5.11 Interest on Cash Held by AEP Ohio

AEP Ohio will pay simple interest calculated at the lower of the Margin Interest Rate or 6% per annum on all cash held by AEP Ohio pursuant to this Agreement. If applicable, after each Billing Period the SSO Supplier will prepare a statement of interest amounts due from AEP Ohio. The statement will be sent to AEP Ohio within three (3) Business Days after the end of the Billing Period via overnight mail or other expeditious means. AEP Ohio will make interest payments on the first Business Day after the fifth (5th) day of each calendar month.

5.12 No Endorsement of SSO Supplier

AEP Ohio's determination of an SSO Supplier's creditworthiness pursuant to the process set forth in this Article 5 will not be deemed to constitute an express or implied warranty or guarantee of any kind with respect to the financial or operational qualifications of such SSO Supplier. AEP Ohio will treat all SSO Suppliers in a non-discriminatory manner and shall provide no preference to any SSO Supplier.

ARTICLE 6

BILLING, PAYMENT AND NETTING

6.1 Invoice Statement

Subject to Section 6.2, AEP Ohio and each SSO Supplier shall pay all amounts due to each other hereunder in accordance with the following provisions:

(a) For each Billing Period, AEP Ohio will prepare and provide an invoice to each SSO Supplier, which will show (i) amounts due to the SSO Supplier equal to the Price multiplied by the applicable Seasonal Billing Factor multiplied by the Estimated Monthly Energy Share, (ii) the Energy Share Adjustment from any prior Billing Period that have not been invoiced, if any, and (iii) all Charges due to AEP Ohio incurred during the Billing Period (the "Billing Statement").

(b) AEP Ohio will determine the total amount payable by one Party to the other Party by netting the aggregate amounts due and owing to one Party against the aggregate amounts due and owing to the other Party, with the Party, if any, owing the greater aggregate amount paying the other Party the difference between the amounts owed. For any amounts due and owing AEP Ohio, AEP Ohio will specify in each Billing Statement how the amounts will be allocated among the SSO Suppliers. In the case of the Energy Share Adjustment, the allocation will be based on the respective SSO Loads of AEP Ohio.

(c) The Billing Statement will be sent to each SSO Supplier within six (6) Business Days after the end of the Billing Period.

(d) AEP Ohio or the SSO Supplier, as the case may be, will make payment on or before the twentieth (20th) day of each calendar month. If such day falls on a Saturday, Sunday or any other day which is a legal holiday or a day on which banking institutions are closed, payment will be due the following Business Day. All such payments shall be made by electronic transfer to an account designated in writing by each respective Party.

(e) All payments shall be subject to adjustment for any arithmetic errors, computation errors, or other errors, provided that the errors become known within one (1) year of the earlier of (i) the end of the Term or (ii) the Early Termination Date.

(f) Overdue payments shall accrue interest at the Interest Rate from, and including, the due date, but excluding date of payment.

(g) If a good faith dispute arises between AEP Ohio and the SSO Supplier regarding a Billing Statement, the disputing Party shall be obligated to pay only the undisputed portion of the Billing Statement, if any, no later than the due date and shall present the dispute in writing and submit supporting documentation to the non-disputing Party within one hundred twenty (120) calendar days from the date of the Billing Statement in dispute. Billing Statement disputes must be addressed promptly, and in accordance with the dispute resolution procedures set forth in Article 11. Upon resolution of a Billing Statement dispute, any payments made to either Party will include interest at the Interest Rate on the payment payable from the date that notice of a Billing Statement dispute was received by the non-disputing Party.

(h) Notwithstanding anything to the contrary contained in this Section 6.1, the determination of the allocation among SSO Suppliers of amounts due and owing to AEP Ohio, as set forth in a Billing Statement, will be final and binding, absent manifest error.

6.2 PJM Billing; Third Party Billing

(a) AEP Ohio and each SSO Supplier shall direct PJM to invoice AEP Ohio and such SSO Supplier for PJM charges and credits relating to such SSO Supplier's and AEP Ohio's rights and obligations under this Agreement. If PJM is unable to invoice charges or credits in accordance with the foregoing sentence, AEP Ohio shall rectify such PJM invoice discrepancy in the Billing Statement sent pursuant to Section 6.1.

(b) The Parties agree that the PJM invoice may change from time to time. Allocation of any charges that are reflected in a PJM invoice that are not included on or are inconsistent with Attachment F will be determined pursuant to Sections 3.1(c), 3.1(d), 3.1(e), 3.2(d) and 12.6.

(c) AEP Ohio shall have no responsibility for billing between an SSO Supplier and any other third party. AEP Ohio shall be solely responsible for billing SSO Customers for SSO Supply.

ARTICLE 7

BREACH AND DEFAULT

7.1 Events of Default

An "Event of Default" shall mean with respect to a Party (the "Defaulting Party") the occurrence of any of the following:

(a) the failure of the Defaulting Party to make, when due, any payment required pursuant to this Agreement (including under Section 6.2) if such failure is not remedied within two (2) Business Days after receipt of written notice of non-payment, and provided the payment is not the subject of a good faith dispute as described in Section 6.1;

(b) any representation or warranty made by the Defaulting Party herein is false or misleading in any material respect when made;

(c) the failure of the Defaulting Party to perform any material obligation set forth in this Agreement (other than events that are otherwise specifically covered in this Article 7 as a separate Event of Default) if such failure is not remedied within two (2) Business Days after written notice;

(d) the Defaulting Party becomes Bankrupt;

(e) with respect to an SSO Supplier, the failure of the Defaulting Party to provide Margin Collateral, or with respect to AEP Ohio, the failure of the Defaulting Party to return Excess Collateral, in each case pursuant to Section 5.7;

(f) failure of the Defaulting Party to comply with its obligations pursuant to Article 5 (except to the extent constituting a separate Event of Default under Section 7.1(e)) if such failure is not remedied within three (3) Business Days after receipt of written notice of such failure;

(g) the failure of the Defaulting Party to comply with the requirements of Sections 3.1(f), 3.1(g), 3.1(h) and 3.5, as applicable, if such failure is not remedied within three (3) Business Days of such failure;

(h) PJM has declared the Defaulting Party to be in default of any provision of any PJM Agreement, which default prevents the Defaulting Party's performance hereunder, if such failure is not remedied within three (3) Business Days after written notice;

(i) PJM holds AEP Ohio responsible for the provision of all or any portion of SSO Supply to meet the Defaulting Party's SSO Supplier Responsibility Share under this Agreement;

(j) the occurrence and continuation of: (i) a default, event of default or other similar condition or event in respect of the Defaulting Party or its Guarantor, if applicable, under one or more agreements or instruments, individually or collectively, relating to Specified Indebtedness in an aggregate amount of not less than the applicable Cross Default Amount, which results in such Specified Indebtedness becoming immediately due and payable; (ii) a default by the Defaulting Party or its Guarantor, if applicable, in making on the due date therefor one or more payments in respect of any obligation under contract or at law, individually or collectively, in an aggregate amount of not less than the applicable Cross Default Amount; or (iii) a default, event of default or other similar condition or event by the Defaulting Party under any Other Energy Supply Agreement or by its Guarantor under any guaranty with respect to any Other Energy Supply Agreement; and

(k) with respect to a Defaulting Party's Guarantor, if any, (i) any representation or warranty made by such Guarantor in connection with this Agreement or any related Guaranty is intentionally or unintentionally false or misleading in any material respect when made or when deemed made or repeated; (ii) the failure of such Guarantor to make any payment required or to perform any other material covenant or obligation in any Guaranty made in connection with this Agreement and such failure is not remedied within three (3) Business Days after written notice; (iii) the failure of such Guarantor's Guaranty to be in full force and effect (other than in accordance with its terms) prior to the satisfaction of all obligations of the Defaulting Party under this Agreement without the written consent of AEP Ohio; (iv) such Guarantor repudiates, disaffirms, disclaims, or rejects, in whole or in part, or challenges the validity of the Guaranty; or (v) such Guarantor becomes Bankrupt.

7.2 Remedies Upon an Event of Default

If an Event of Default shall have occurred and be continuing, the Non-Defaulting Party shall have the right to:

(a) immediately suspend performance upon written notice to the Defaulting Party; provided, however, that if an SSO Supplier is the Non-Defaulting Party, such SSO Supplier may only suspend performance if the default of the Defaulting Party constitutes an Event of Default under Sections 7.1(a) or (d);

(b) declare an Early Termination and designate by written notice an Early Termination Date which shall be no earlier than the day such designation notice is effective and no later than twenty (20) calendar days after such notice is effective; provided, however, that if an SSO Supplier is the Non-Defaulting Party, such SSO Supplier may only declare an Early Termination if the default of the Defaulting Party constitutes an Event of Default under Section 7.1(a) or (d);

(c) calculate and receive from the Defaulting Party payment for any Default Damages which the Non-Defaulting Party incurs as of the date of the event giving rise to the Event of Default, until the earlier of: (i) the Early Termination Date (if applicable); (ii) the date the Event of Default has been cured by the Defaulting Party; or (iii) the date the Non-Defaulting Party waives such Event of Default;

(d) withhold any payments due to the Defaulting Party under this Agreement as a set-off against any Default Damages, or Termination Payment, as applicable, the Defaulting Party is entitled to receive;

(e) draw down, liquidate, set-off against, or demand payment under, any Guaranty, ICR Collateral and Margin Collateral; and

(f) exercise any other remedies at law or in equity.

7.3 Default Damages; Settlement Amount; Termination Payment

(a) **Default Damages.** Subject to Section 7.3(e), the Defaulting Party shall pay Default Damages on or before three (3) Business Days after receipt of an invoice therefor. The invoice shall include a written statement explaining in reasonable detail the calculation of such amount.

Neither Party will be liable for Default Damages if this Agreement is terminated by a Governmental Authority.

(b) **Settlement Amount.** If the Non-Defaulting Party has declared an Early Termination Date pursuant to Section 7.2(b), the Non-Defaulting Party shall have the right to (i) accelerate all amounts owing between the Defaulting Party and the Non-Defaulting Party and to liquidate and terminate the undertakings set forth in this Agreement as between the Defaulting Party and the Non-Defaulting Party; and (ii) withhold any payments due to the Defaulting Party under this Agreement pending payment of the Termination Payment. The Non-Defaulting Party will calculate, in a commercially reasonable manner, the Settlement Amount with respect to the Defaulting Party's obligations under the Agreement and shall net the Settlement Amount in the manner provided for in Section 7.3(c).

(c) **Termination Payment.** The Non-Defaulting Party will calculate a single payment (the "Termination Payment") by netting out (i) the sum of the Settlement Amount under this Agreement payable to the Defaulting Party, plus (a) similar settlement amounts payable to the Defaulting Party under any other agreements between AEP Ohio and the applicable SSO Supplier for the provision of SSO Supply, Energy supply or other similar service (each, an "Other Energy Supply Agreement") being terminated due to the event giving rise to the Event of Default plus, (b) at the option of the Non-Defaulting Party, any Performance Assurance then available to the Non-Defaulting Party under this Agreement or Other Energy Supply Agreements and actually received, liquidated and retained by the Non-Defaulting Party, plus (c) any or all other amounts due to the Defaulting Party under this Agreement and, at the option of the Non-Defaulting Party, Other Energy Supply Agreements, and (ii) the sum of the Settlement Amount under this Agreement payable to the Non-Defaulting Party, plus (a) similar settlement amounts payable to the Non-Defaulting Party under any Other Energy Supply Agreement being terminated due to the event giving rise to the Event of Default plus, (b) at the option of the Non-Defaulting Party, any Performance Assurance then available to the Defaulting Party under this Agreement or Other Energy Supply Agreements and actually received, liquidated and retained by the Defaulting Party, plus (c) any or all other amounts due to the Non-Defaulting Party under this Agreement and, at the option of the Non-Defaulting Party, Other Energy Supply Agreements.

The Termination Payment will be due to or due from the Non-Defaulting Party as appropriate; provided, however, that if an SSO Supplier is the Defaulting Party and the Termination Payment is due to such SSO Supplier, AEP Ohio will be entitled to retain a reasonable portion of the Termination Payment, which may be equal to the entire amount of the Termination Payment, as a security for additional amounts that may be determined to be due and owing by such SSO Supplier as Default Damages; and further provided that any previously attached security interest of AEP Ohio in such retained amounts will continue. If the Termination Payment has been retained by AEP Ohio as security for additional amounts that may be determined to be due and owing by the SSO Supplier, and if, upon making a final determination of Default Damages and payment therefor, the Termination Payment, or any portion thereof, is to be made to the SSO Supplier, AEP Ohio will pay interest at the Interest Rate on the Termination Payment amount being made to the SSO Supplier for the period of such retention.

(d) **Notice of Termination Payment.** As soon as practicable after calculation of the Termination Payment, notice must be given by the Non-Defaulting Party to the Defaulting Party of the amount of the Termination Payment and whether the Termination Payment is due to or due from the Non-Defaulting Party. The notice shall include a written statement explaining in reasonable detail the calculation of such amount. Subject to Section 7.3(e), the Termination Payment must be made by the Party that owes it within three (3) Business Days after such notice is received by the Defaulting Party.

(e) **Disputes With Respect to Default Damages or Termination Payment.** If the Defaulting Party disputes the Non-Defaulting Party's calculation of the Default Damages or Termination Payment, in whole or in part, the Defaulting Party must, within three (3) Business Days of receipt of the Non-Defaulting Party's calculation of the Default Damages or Termination Payment, provide to the Non-Defaulting Party a detailed written explanation of the basis for such dispute. Any dispute under this Section 7.3(e) shall be subject to the dispute resolution procedures in Article 11; provided, however, that if the Default Damages or Termination Payment is due from the Defaulting Party, the Defaulting Party must first provide Performance Assurance to the Non-Defaulting Party in an amount equal to the Default Damages or Termination Payment, as the case may be.

7.4 Setoff of Payment Obligations of the Non-Defaulting Party

Any payment obligations of the Non-Defaulting Party to the Defaulting Party pursuant to this Agreement or any Other Energy Supply Agreement will be set off: (i) first, to satisfy any payment obligations of the Defaulting Party to the Non-Defaulting Party pursuant to this Agreement or any Other Energy Supply Agreement that are unsecured and not subject to any Guaranty; (ii) second, to satisfy any payment obligations under this Agreement or any Other Energy Supply Agreement that are unsecured, but which are guaranteed by a Guaranty; and (iii) third, to satisfy any remaining payment obligations of the Defaulting Party to the Non-Defaulting Party pursuant to this Agreement or any Other Energy Supply Agreement.

7.5 Preservation of Rights of Non-Defaulting Party

The rights of the Non-Defaulting Party under this Agreement, including Sections 7.2, 7.3 and 7.4, will be supplemental to, and not in lieu of, any right of recoupment, lien, or set-off afforded by applicable law, and all such rights are expressly preserved for the benefit of the Non-Defaulting Party.

ARTICLE 8

REPRESENTATIONS AND WARRANTIES

8.1 AEP Ohio's Representations and Warranties

AEP Ohio hereby represents and warrants to the SSO Suppliers as follows:

(a) it is an electric utility corporation duly organized, validly existing and in good standing under the laws of the State of Ohio;

(b) it has all requisite power and authority necessary for it to enter into and to legally perform its obligations under this Agreement and any other documentation relating to this Agreement;

(c) the execution, delivery and performance of this Agreement and any other documentation relating to this Agreement are within its powers, have been duly authorized by all necessary action and do not violate any of the terms and conditions in its governing documents, any

contracts to which it is a party or any law, rule, regulation, order or similar provision of any Governmental Authority;

(d) this Agreement and each other document executed and delivered in accordance with this Agreement constitute its legally valid and binding obligation enforceable against it in accordance with its terms;

(e) there is not pending or, to its knowledge, threatened against it or any of its Affiliates any legal proceedings, including before a Governmental Authority, that could materially adversely affect its ability to perform its obligations under this Agreement or any other document relating to this Agreement;

(f) no Event of Default with respect to it has occurred and is continuing and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Agreement or any other document relating to this Agreement;

(g) it is acting for its own account, has made its own independent decision to enter into this Agreement, is not relying upon the advice or recommendations of any other party in so doing, and is capable of assessing the merits of and understanding and understands and accepts, the terms, conditions and risks of this Agreement;

(h) at the commencement of the Original Delivery Period, it has obtained all authorizations from any Governmental Authority necessary for it to perform its obligations under this Agreement; and it is not in violation of any law, rules, regulations, ordinances or judgments of any Governmental Authority which could reasonably be expected to adversely affect its ability to perform its obligations under this Agreement.

8.2 SSO Supplier's Representations and Warranties

Each SSO Supplier hereby represents and warrants to AEP Ohio as follows:

(a) it is duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation and, if organized outside the State of Ohio, is qualified to conduct its business and is in good standing in Ohio;

(b) it has all regulatory authorizations and all requisite power and authority necessary for it to legally perform its obligations under this Agreement and any other documentation relating to this Agreement;

(c) the execution, delivery and performance of this Agreement and any other documentation relating to this Agreement are within its powers, have been duly authorized by all necessary action and do not violate any of the terms and conditions in its governing documents, any contracts to which it is a party or any law, rule, regulation, order or similar provision of any Governmental Authority;

(d) this Agreement and each other document executed and delivered in accordance with this Agreement constitutes its legally valid and binding obligation enforceable against it in accordance with its terms;

(e) it is a "forward contract merchant" within the meaning of the United States Bankruptcy Code;

(f) there is not pending or, to its knowledge, threatened against it or any of its Affiliates any legal proceedings, including before a Governmental Authority, that could materially adversely affect its ability to perform its obligations under this Agreement or any other document relating to this Agreement;

(g) no Event of Default with respect to it has occurred and is continuing and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Agreement or any other document relating to this Agreement;

(h) it is acting for its own account, has made its own independent decision to enter into this Agreement, is not relying upon the advice or recommendations of AEP Ohio in so doing, and is capable of assessing the merits of and understanding and understands and accepts, the terms, conditions and risks of this Agreement;

(i) at the commencement of the Original Delivery Period, it (i) has obtained all authorizations from any Governmental Authority necessary for it to perform its obligations under this Agreement; (ii) is a member in good standing with PJM; (iii) is qualified by PJM as a "Market Buyer" and "Market Seller" pursuant to the PJM Agreements; (iv) is qualified as a PJM

"Load Serving Entity;" and (v) has duly obtained all FERC authorization necessary or desirable to make sales of Energy, Capacity, and Ancillary Services at market-based rates within PJM; and

(j) it is not in violation of any law, rules, regulations, ordinances or judgments of any Governmental Authority which could reasonably be expected to adversely affect its ability to perform its obligations under this Agreement.

ARTICLE 9

RISK OF LOSS; LIMITATION OF LIABILITY

9.1 Risk of Loss

Title and risk of loss with respect to the SSO Supply shall pass from each SSO Supplier to AEP Ohio when the SSO Supply is delivered to the Delivery Point. As between the Parties, each SSO Supplier shall be deemed to be in exclusive control and possession of the SSO Supply prior to and at the Delivery Point, and AEP Ohio shall be deemed to be in exclusive control and possession of the SSO Supply from the Delivery Point. Each SSO Supplier warrants that it will deliver the SSO Supply to AEP Ohio at the Delivery Point free and clear of all liens, claims and encumbrances arising or attaching prior to the Delivery Point.

9.2 Limitation of Liability

EXCEPT TO THE EXTENT EXPRESSLY SET FORTH IN THIS AGREEMENT, INCLUDING ARTICLE 10, AS BETWEEN AEP OHIO AND EACH SSO SUPPLIER, EACH PARTY'S LIABILITY SHALL BE LIMITED TO DIRECT ACTUAL DAMAGES INCURRED AS A RESULT OF A PARTY'S FAILURE TO COMPLY WITH THIS AGREEMENT. SUCH DIRECT ACTUAL DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. NO PARTY SHALL BE LIABLE FOR ANY CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, ARISING OUT OF SUCH PARTY'S FAILURE TO COMPLY WITH ITS OBLIGATIONS UNDER THIS AGREEMENT.

NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AGREEMENT, NOTHING HEREIN SHALL IMPOSE ANY OBLIGATION OR LIABILITY FROM ONE SSO SUPPLIER TO ANY OTHER SSO SUPPLIER, EXCEPT AS PROVIDED IN ARTICLE 10.

ARTICLE 10

INDEMNIFICATION

10.1 Indemnification

(a) Each SSO Supplier shall defend, save harmless and indemnify AEP Ohio and its Affiliates, shareholders, managers, directors, officers, employees and agents (collectively, the "AEP Ohio Indemnified Party") against and from any and all of the following incurred by the AEP Ohio Indemnified Party solely as a result of a third party claim (including PJM and each other SSO Supplier) against the AEP Ohio Indemnified Party: loss, liability, damage, claim, cost, charge, demand or expense (including reasonable attorneys' fees) (collectively "Indemnification Losses") for injury or death to persons and damage to property including a Party's employees or any third party to the extent (i) caused by any act or omission (or alleged act or omission) of the SSO Suppliers or their respective Affiliates, managers, directors, officers, employees and agents and (ii) such Indemnification Losses arise out of or are in any manner connected with the performance of this Agreement by the SSO Suppliers or for which the SSO Supplier assumed liability under the terms of this Agreement, except to the extent that a court of competent jurisdiction determines that the Indemnification Losses were caused wholly or in part by the gross negligence or willful misconduct of AEP Ohio. AEP Ohio may, at its own expense, retain counsel and participate in the defense of any such suit or action.

(b) AEP Ohio and each SSO Supplier shall defend, save harmless and indemnify each other SSO Supplier and its Affiliates, shareholders, managers, directors, officers, employees and agents (the "Indemnified Supplier") against and from any and all of the following incurred by the Indemnified Supplier solely as a result of a third party claim (including another SSO Supplier) against the Indemnified Supplier: Indemnification Losses for injury or death to persons and damage to property including a Party's employees or any third party to the extent (i) caused by any act or omission (or alleged act or omission) of AEP Ohio or such SSO Supplier or their respective Affiliates, managers, directors, officers, employees and agents, and (ii) such

Indemnification Losses arise out of or are in any manner connected with the performance of this Agreement by AEP Ohio or such SSO Supplier or for which the SSO Supplier assumed liability under the terms of this Agreement, except to the extent that a court of competent jurisdiction determines that the Indemnification Losses were caused wholly or in part by the gross negligence or willful misconduct of the Indemnified Supplier. The Indemnified Supplier may, at its own expense, retain counsel and participate in the defense of any such suit or action.

(c) Any Party that receives notice of any claim, action, or proceeding for which it may seek indemnification under this Section shall promptly notify the indemnitor in writing; provided, however, that the failure to so notify the indemnitor shall not relieve the indemnitor of liability hereunder except to the extent that the defense of such claim, action, or proceeding is prejudiced by the failure to give the notice. The indemnitee shall cooperate fully with the indemnitor in connection with any such litigation or proceeding the defense of which the indemnitor has assumed. No indemnitee may consent to entry of any judgment or enter into any settlement of any claim, action, or proceeding that would give rise to any liability of the indemnitor hereunder without the indemnitor's prior written consent, which consent may not be unreasonably withheld or delayed. If the indemnitor assumes the defense of the claim, action, or proceeding, no compromise or settlement of such claim, action, or proceeding may be effected by the indemnitor without the indemnitee's consent unless (i) there is no finding or admission of any violation of law or the rights of any Person and no effect on any other claims, actions, or proceedings that may be made against the indemnitee and (ii) the sole relief provided is monetary damages and such damages and the associated costs of suit and attorneys' fees are paid in full by the indemnitor.

ARTICLE 11

DISPUTE RESOLUTION

11.1 Informal Dispute Resolution

If a dispute arises between the Parties relating to this Agreement, a Party shall give the other Party written notice of a dispute which has not been resolved in the normal course of business. Such notice shall include: (a) a statement of that Party’s position and a summary of arguments supporting such position, and (b) the name and title of the executive who will be

representing that Party and of any other person who will accompany the executive. Within five (5) days after delivery of the notice, the receiving Party shall respond with (a) a statement of that Party's position and a summary of arguments supporting such position, and (b) the name and title of the executive who will represent that Party and of any other person who will accompany the executive. Within ten (10) days after delivery of the initial notice, the executives of both Parties shall meet at a mutually acceptable time and place, and thereafter as often as they reasonably deem necessary, to attempt to resolve the dispute. If, within twenty (20) days after such meeting, the Parties have not succeeded in negotiating a resolution of the dispute, then either Party may pursue any remedies available at law or in equity as set forth below.

11.2 Binding Arbitration

After the requirements of Section 11.1 have been satisfied, all disputes between the Parties, except where this Agreement requires otherwise, shall be submitted to an Ohio State court of competent jurisdiction in the City of Columbus, Ohio or to a federal court of competent jurisdiction situated in the City of Columbus, State of Ohio, which courts shall have exclusive jurisdiction to settle disputes arising under or related to this Agreement.

11.3 Recourse to Agencies or Courts of Competent Jurisdiction

Notwithstanding Section 11.2, nothing in this Agreement shall restrict the rights of a Party to file a complaint with the FERC under relevant provisions of the Federal Power Act or with the PUCO under relevant provisions of the Legal Authorities. The Parties' agreement under this Section 11.3 is without prejudice to any Party's right to contest jurisdiction of the FERC or PUCO to which a complaint is brought.

ARTICLE 12

MISCELLANEOUS PROVISIONS

12.1 Assignment

(a) AEP Ohio may not assign this Agreement or its rights or obligation hereunder without the prior written consent of the applicable SSO Suppliers, which consent may not be unreasonably withheld, conditioned or delayed; provided, however, AEP Ohio may, without the

consent of the SSO Suppliers (i) transfer, sell, pledge, encumber or assign this Agreement or the accounts, revenues, or proceeds hereof in connection with any financing or other financial arrangements; (ii) transfer or assign this Agreement to any Person having a Minimum Rating; and (iii) transfer or assign this Agreement to any Person succeeding to all or substantially all of the assets of AEP Ohio. Under (a)(ii) and (a)(iii) above, AEP Ohio shall be relieved of its obligations upon the assignment and assumption of the assignee, except for those obligations which have arisen prior to the date of assignment.

(b) An SSO Supplier may not assign this Agreement or any rights or obligation hereunder without the prior written consent of AEP Ohio, which consent may not be unreasonably withheld, conditioned or delayed; provided, however, an SSO Supplier may, without the consent of AEP Ohio (i) transfer, sell, pledge, encumber or assign this Agreement or the accounts, revenues, or proceeds hereof in connection with any financing or other financial arrangements; (ii) transfer or assign this Agreement to any Person having a Minimum Rating; and (iii) transfer or assign this Agreement to any Person succeeding to all or substantially all of the assets of such SSO Supplier. Under (b)(ii) and (b)(iii) above, the assigning SSO Supplier shall be relieved of its obligations upon (x) the assignment and assumption of this Agreement by the assignee and (y) the assignee's satisfaction of the credit requirements set forth in Article 5, except for those obligations which have arisen prior to the date of assignment.

12.2 Notices

All notices, requests, statements or payments shall be made as specified below. Notices required to be in writing shall be delivered by letter, facsimile or other documentary form. Notice by regular mail shall be deemed to have been received by the earlier of actual receipt or three (3) Business Days after it has been sent. Notice by facsimile or hand delivery shall be deemed to have been received by the close of the Business Day on which it was transmitted or hand delivered (unless transmitted or hand delivered after close of normal business hours, in which case it shall be deemed to have been received at the close of the next Business Day). Notice by overnight mail or courier shall be deemed to have been received by the earlier of actual receipt or two (2) Business Days after it has been sent. A Party may change its addresses by providing notice of the same in accordance with this Section 12.2.

To AEP Ohio:

NOTICES & CORRESPONDENCE:

AEP Ohio
1 Riverside Plaza
Columbus, OH 43220
Attn: Contract Administration Manager

Contract Administration Manager Contact:
Email:
Phone:
Fax:

PAYMENTS:

Institution:
Account No.:
ABA No:

INVOICES:
Attention:
Email:
Fax Number:
Phone Number:

SCHEDULING:
Attention:
Email:
Fax Number:
Phone Number:

CREDIT:
Attention:
Mail Code:
Email:
Fax Number:
Phone Number:

To SSO Supplier:

Each SSO Supplier's notification information is set forth on Attachment A.

12.3 General

This Agreement constitutes the entire agreement between the Parties relating to the subject matter contemplated by this Agreement and supersedes all prior communications and proposals (oral or written). This Agreement shall be considered for all purposes as prepared through the joint efforts of the Parties and shall not be construed against one Party or the other as a result of the preparation, substitution, submission or other event of negotiation, drafting or execution hereof. This Agreement shall not impart any rights enforceable by any third party (other than a permitted successor or assignee bound to this Agreement). No waiver by a Party of any default by the other Party shall be construed as a waiver of any other default. Any provision declared or rendered unlawful by any applicable Governmental Authority or deemed unlawful

because of a statutory change will not otherwise affect the remaining lawful obligations that arise under this Agreement. The headings used herein are for convenience and reference purposes only.

12.4 Governing Law

To the extent not subject to the jurisdiction of FERC, this Agreement and the rights and duties of the Parties hereunder shall be governed by and construed, enforced and performed in accordance with the laws of the State of Ohio, without regard to principles of conflicts of law.

12.5 Standard of Review

Except as provided in Section 12.6, this Agreement shall not be amended, modified, terminated, discharged or supplanted nor any provision hereof waived, unless mutually agreed in writing by the Parties. Except as provided in 12.6, the rates, terms and conditions contained in this Agreement are not subject to change under Sections 205 and 206 of the Federal Power Act, absent the written agreement of the Parties to change any provisions. Other than as expressly permitted in this Agreement, the standard of review for any changes proposed by a Party, a non-party, or the FERC, acting *sua sponte*, shall be the "public interest" application of the "just and reasonable" standard of review set forth in *United Gas Pipe Line Co. v. Mobile Gas Service Corp.*, 350 U.S. 332 (1956) and *Federal Power Commission v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956) (the "*Mobile-Sierra*" doctrine), as clarified by *Morgan Stanley Capital Group, Inc. v. Public Util. Dist. No. 1 of Snohomish*.

12.6 PJM Agreement Modifications

(a) If the PJM Agreements are amended or modified so that any term, schedule or section reference herein to such agreement is changed, such term, schedule or section reference herein shall be deemed automatically (and without any further action by the Parties) to refer to the new term, schedule or section of the PJM Agreements.

(b) If the applicable provisions of the PJM Agreements referenced herein, or any other PJM rules relating to the implementation of this Agreement, are changed materially from

those in effect on the Effective Date, the Parties shall cooperate to make the conforming changes to this Agreement.

12.7 Confidentiality

(a) The Parties shall hold in confidence any information disclosed by one Party to the other Party in connection with negotiation of or performance under this Agreement unless (i) required, pursuant to any applicable court order, administrative order, statute, regulation or other official order by any government or any agency or department thereof, to disclose; (ii) such information is already in the possession of the receiving party at the time of disclosure, as evidenced by the receiving party's written documentation; (iii) such information becomes subsequently available to the receiving party on a non-confidential basis from a source not known or reasonably suspected by the receiving party to be bound by a confidentiality agreement or secrecy obligation owed to the disclosing party; and (iv) such information is or becomes generally available to the public other than as a result of a breach of this Agreement.

(b) In the event of disclosure pursuant to 12.7(a)(i), AEP Ohio will attempt to notify the SSO Supplier in advance of such disclosure. However, neither AEP Ohio nor its employees, lenders, counsel, accountants, advisors or agents, will be responsible to the SSO Suppliers for any such disclosure and AEP Ohio reserves the right to communicate publicly to third parties any and all information and data submitted as part of this Agreement or Solicitation in any proceedings before FERC, the PUCO and any other regulatory body and the courts, without the prior consent of, or notice to the SSO Suppliers, if AEP Ohio deems such disclosure necessary.

(c) A Party may disclose information and documents provided in connection with this Agreement to its employees, lenders, counsel, accountants, advisors, or utility regulators who have a need to know such information and have agreed to keep such terms confidential.

(d) The Parties shall be entitled to all remedies available at law or in equity to enforce, or seek relief in connection with, this confidentiality obligation.

12.8 Taxes

All present and future federal, state, municipal and other taxes imposed by any taxing authority by reason of the provision of SSO Supply by an SSO Supplier under this Agreement (collectively, the "Taxes") will be the liability of the SSO Supplier, except for Ohio sales and use taxes imposed under Ohio Rev. Code Ann. Tit. 57, Chapters 5739, 5740 and 5741 (the "Ohio Sales and Use Taxes"), if any, which will be AEP Ohio's responsibility. AEP Ohio shall provide the SSO Supplier with a valid Ohio Sales and Use Tax resale exemption certificate or direct pay permit, and an SSO Supplier shall not collect any Ohio Sales and Use Taxes from AEP Ohio nor remit any Ohio Sales and Use Taxes directly to the applicable taxing authority. AEP Ohio will defend and indemnify the SSO Supplier for any Ohio Sales and Use Taxes that the SSO Supplier may be required to remit directly to the applicable taxing authority and will pay to the SSO Supplier all such tax amounts upon demand. Each SSO Supplier shall pay all Taxes (other than Ohio Sales and Use Taxes) to the applicable taxing authority to the extent required or permitted by law. Should AEP Ohio be required to remit any Taxes directly to any applicable taxing authority (other than Ohio Sales and Use Taxes), the SSO Supplier will defend and indemnify AEP Ohio and will pay AEP Ohio all such Tax amounts upon demand.

Each Party shall provide to the other Party all information, data and exemption certificates as such other Party may from time to time reasonably request and otherwise fully cooperate with such other Party in connection with the reporting of (i) any Taxes payable by an SSO Supplier; (ii) any Tax audit; or (iii) any assessment, refund claim or proceeding relating to Taxes. Each Party shall cooperate with the other Party and take any action reasonably requested, which does not cause the Party to incur any material cost or inconvenience, in order to minimize any Taxes payable.

12.9 Record Retention

Each Party will retain for a period of two (2) years following the expiration of the Term necessary records so as to permit the Parties to confirm the accuracy of any statement, charge or computation made pursuant to this Agreement; provided that, if a Party provides notice within two (2) years of the expiration of the Term that it disputes the validity of any payments or

quantity of Energy delivered, the Parties agree that they will retain all records related to such dispute until the dispute is resolved pursuant to Article 11.

Each SSO Supplier will have the right, upon reasonable notice, to inspect (at the sole cost and expense of such SSO Supplier) the books and records retained by AEP Ohio only insofar as they relate to payments due and owing, or owed and paid, to such SSO Supplier. Such inspection must take place during regular business hours. AEP Ohio will have the right, upon reasonable notice, to inspect (at the sole cost and expense of AEP Ohio) the books and records retained by such SSO Supplier only insofar as they relate to Energy delivered by such SSO Supplier. Such inspection must take place during regular business hours.

12.10 Rules as to Usage

Except as otherwise expressly provided herein, the following rules shall apply to the usage of terms in this Agreement:

(a) The terms defined above have the meanings set forth above for all purposes, and such meanings are equally applicable to both the singular and plural forms of the terms defined.

(b) "Include," "includes" and "including" shall be deemed to be followed by "without limitation" whether or not they are in fact followed by such words or words of like import.

(c) Any law defined or referred to above means such law as from time to time amended, modified or supplemented, including by succession of comparable successor law.

(d) "Hereof," "herein," "hereunder" and comparable terms refer, unless otherwise expressly indicated, to the entire agreement or instrument in which such terms are used and not to any particular article, section or other subdivision thereof or attachment thereto. References in an instrument to "Article," "Section," or another subdivision or to an attachment are, unless the context otherwise requires, to the relevant article, section, subsection or subdivision of or an attachment to such agreement or instrument. If such reference in this Agreement to "Article," "Section," or other subdivision does not specify an agreement or document, such reference refers to an article, section or other subdivision of this Agreement. All references to exhibits or

schedules in any agreement or instrument that is governed by this Agreement are to exhibits or schedules attached to such instrument or agreement.

(e) All titles and headings used herein are for convenience and references purposes only, and shall not be applicable in construing or interpreting obligations under this Agreement.

(f) The word "or" will have the inclusive meaning represented by the phrase "and/or."

(g) "Shall" and "will" have equal force and effect.

12.11 Counterparts

This Agreement may be executed in counterparts, each of which will be considered an original, but all of which will constitute one instrument. Any counterpart may be delivered by facsimile transmission or by electronic communication in portable document format (.pdf) or tagged image format (.tif), and the Parties agree that their electronically transmitted signatures shall have the same effect as manually transmitted signatures.

[Signatures appear on next pages]

IN WITHESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first set forth above.

OHIO POWER COMPANY

By_____

Name: _____

Title: _____

[SSO SUPPLIER SIGNATURES APPEAR ON SUCCEEDING PAGES]

[SSO SUPPLIER]

By: _____

Name:

Title

ATTACHMENTS

A SSO Supplier Responsibility Share

B Seasonal Billing Factor

C Credit Examples

C-1 Independent Credit Requirement Per Tranche

C-2 Example Mark-To-Market Exposure Amount Calculation

D Form of Guaranty

E Form of SSO Supplier Letter of Credit

F Sample PJM Invoice

G Representative Form of PJM Declaration of Authority

ATTACHMENT A

SSO SUPPLIER RESPONSIBILITY SHARE

SSO Supplier	Price ($MWh)	SSO Supplier Responsibility Share Percentage (%)	No. of Tranches
_____	_____/MWh	_____%	_____

Original Delivery Period: _____ __, 201_ at 12:01 a.m. prevailing Eastern Time through _____, 201_.

Fixed percentage per Tranche: _____%

Address for Notice:

1. In the case of all notices except those required under Article 5:

Name:
Address:
Telephone:
Facsimile:
E-mail:

Copy to:

Name:
Address:
Telephone:
Facsimile:
E-mail:

2. Article 5 Notices:

Name:
Address:
Telephone:
Facsimile:
E-mail:

[SSO SUPPLIER]

By: _____
Name:
Title:

ATTACHMENT B

SEASONAL BILLING FACTOR

The Seasonal Billing Factors are as follows:

June 1 through September 30	_____
October 1 through December 31 and January 1 through May 31	_____

ATTACHMENT C-1

INDEPENDENT CREDIT REQUIREMENT PER TRANCHE

Month of Delivery Period	**12-Month Procurement ($/tranche)**	**24-Month Procurement ($/tranche)**
Inception through Month 1	500,000	900,000
Month 2	500,000	900,000
Month 3	500,000	900,000
Month 4	500,000	900,000
Month 5	300,000	800,000
Month 6	300,000	800,000
Month 7	300,000	800,000
Month 8	300,000	800,000
Month 9	200,000	600,000
Month 10	200,000	600,000
Month 11	200,000	600,000
Month 12	200,000	600,000
Month 13	200,000	500,000
Month 14	-	500,000
Month 15	-	500,000
Month 16	-	500,000
Month 17	-	300,000
Month 18	-	300,000
Month 19	-	300,000
Month 20	-	300,000
Month 21	-	200,000
Month 22	-	200,000
Month 23	-	200,000
Month 24	-	200,000

ATTACHMENT C-2

EXAMPLE MARK-TO-MARKET EXPOSURE AMOUNT CALCULATION

The following is an illustration of the methodology AEP Ohio will use to determine the Mark-to-Market Exposure Amounts for each SSO Supplier.

On the closing day of the Solicitation, the following parameters will be determined by AEP Ohio:

1. The expected On-Peak SSO Load per Tranche;
2. The expected Off-Peak SSO Load per Tranche;
3. Prevailing On-Peak Forward Market Prices for each month during the Original Delivery Period;
4. Prevailing Off-Peak Forward Market Prices for each month during the Original Delivery Period;
5. On-Peak Price Adjustment Factors; and
6. Off-Peak Price Adjustment Factors.

For purposes of the Mark-to-Market Exposure Amount calculation, "On-Peak" means the hours between 7:00 a.m. and 11:00 p.m. prevailing Eastern Time on Monday through Friday, excluding NERC holidays. "Off-Peak" means any hours that are not considered On-Peak.

The SSO Load for each month will be calculated by multiplying (i) the number of customers then being provided generation service by AEP Ohio (the "Un-Switched Customers") by (ii) the historical monthly average usage per customer derived from data including only the Un-Switched Customers served by AEP Ohio over a recent three-year period ("Historical Actual Usage"). The SSO Load will be calculated separately for each major rate class and then summed to determine the total SSO Load. The total SSO Load will then be separated into On-Peak and Off-Peak components (consistent with the definitions cited above), still on a monthly basis, based on the Historical Actual Usage for all customer classes combined. The SSO Load per Tranche (On-Peak and Off-Peak) will be equal to the fixed percentage, as set forth in Attachment A, of the total

SSO Load calculated for each component. The fixed percentage per Tranche may vary by auction and therefore, the SSO Load per Tranche will be calculated for each component based upon the fixed percentage per Tranche as set forth in Attachment A of the respective SSO Agreement.

To the extent that quoted Forward Market Prices are not available on a monthly basis, monthly Forward Market Prices will be determined by AEP Ohio with reference to available market price data. Notwithstanding the foregoing, if AEP Ohio is unable to obtain publicly available market price data for Forward Market Prices, Forward Market Prices will be determined by AEP Ohio using any method which AEP Ohio deems appropriate and which reasonably reflects forward market pricing conditions in PJM.

A set of monthly On-Peak Price Adjustment Factors and Off-Peak Price Adjustment Factors will be developed using historical PJM day-ahead hourly prices applied to hourly usage derived from Historical Actual Usage on the AEP Ohio system, which factors will be applied to On-Peak Forward Market Prices and Off-Peak Forward Market Prices respectively to yield Adjusted On-Peak Forward Market Prices and Adjusted Off-Peak Forward Market Prices. These Adjusted Forward Market Prices will be used for the purpose of computing the Mark-to-Market Exposure Amounts. The purpose of the Price Adjustment Factors is to restate the quoted Forward Market Prices, which are based on fixed block volumes of MWhs, to more closely approximate the price impact of serving a slice-of-system product which reflects hourly variations due to customer usage patterns. The Price Adjustment Factors are anticipated to be recalculated as of each future auction date and applied to all then existing Master SSO Supply Agreements.

The Adjusted Forward Market Prices prevailing on the closing day of the Solicitation are used to establish a "market value" for each month during the Original Delivery Period. Table 1 contains hypothetical initial Adjusted On-Peak and Off-Peak Forward Market Prices for a 24-month Original Delivery Period from June 2013 through May 2015. Table 1 shows the hypothetical "market value" of a Tranche, which will be established on the day the Solicitation is completed using the Adjusted Forward Market Prices determined as shown in Table 2.

For each calculation of the Mark-to-Market Exposure Amount, AEP Ohio will determine the Adjusted Forward Market Prices for each month during the Original Delivery Period. Table 3 shows the calculation of an updated "market value" using hypothetical Adjusted Forward Market Prices for each month during the Original Delivery Period assumed to be in effect immediately prior to the Delivery Period for the 24-month Original Delivery Period. The initial market value as of the Solicitation completion date is then subtracted from the updated market value to derive a change in market value. The Mark-to-Market Exposure Amount is then calculated on an un-discounted basis by multiplying this change in market value by Volume Adjustment Factors calculated for changes in On-Peak and Off-Peak per tranche loads. The final Mark-to-Market Exposure Amount is determined by stating the values on a present value basis as of the determination date by discounting the calculated values at the then prevailing LIBOR rate (not shown).

The On-Peak and Off-Peak Volume Adjustment Factors will be determined by recalculating the SSO Load per Tranche reflecting the then current number of Un-Switched Customers and Historical Actual Usage and calculating the On-Peak and Off-Peak ratios of the current SSO Load per Tranche to the initial SSO Load per Tranche. The value for Un-Switched Customers is anticipated to be updated on a monthly basis and the value of Historical Actual Usage is anticipated to be updated in conjunction with each successive auction of SSO Load, but not less than once each calendar year.

Table 1

Market Valuation on Solicitation Closing Date

[VALUES ARE FOR ILLUSTRATION ONLY]

	Forward Market at Close of Solicitation (a)		Initial Tranche Volume (b)		
	Adjusted On-Peak Market Price	Adjusted Off-Peak Market Price	On- Peak	Off- Peak	Mkt Value
	$/MWh	$/MWh	MWh	MWh	$000
Jun-13	37.94	26.82	3,386	3,653	226
Jul-13	42.61	27.44	4,078	3,844	279
Aug-13	42.27	28.75	3,986	3,595	272
Sep-13	34.06	24.16	2,900	2,578	161
Oct-13	31.54	24.66	2,367	2,452	135
Nov-13	33.55	24.39	2,799	2,288	150
Dec-13	36.55	29.93	3,480	3,259	225
Jan-14	40.23	34.88	2,749	3,247	224
Feb-14	41.00	34.63	3,133	2,776	225
Mar-14	37.96	30.36	3,095	2,841	204
Apr-14	38.22	27.93	2,440	2,554	165
May-14	37.55	28.33	2,905	2,705	186
Jun-14	42.84	30.55	3,386	3,653	257
Jul-14	48.17	30.97	4,078	3,844	315
Aug-14	48.95	23.45	3,986	3,595	279
Sep-14	39.14	27.46	2,900	2,578	184
Oct-14	35.27	27.60	2,367	2,452	151
Nov-14	37.07	27.23	2,799	2,288	166
Dec-14	38.82	32.97	3,480	3,259	243
Jan-15	43.74	37.11	3,749	3,247	284
Feb-15	44.58	36.85	3,133	2,776	242
Mar-15	41.23	32.43	3,095	2,841	220
Apr-15	40.56	29.85	2,440	2,554	175
May-15	40.59	31.00	2,905	2,705	202

(a): Adjusted On-Peak and Off-Peak Forward Market Prices determined as shown on Table 2.

(b): Expected On-Peak and Off-Peak SSO Load per Tranche derived from Historical Actual Usage and number of Un-Switched Customer as described in Attachment C-2.

Table 2

Adjusted Market Price at Solicitation Closing Date
[VALUES ARE FOR ILLUSTRATION ONLY]

	Forward Price at Close of Solicitation (a)		Price Adjustment Factor (b)			
	On-Peak Market Price	Off-Peak Market Price	On- Peak	Off- Peak	Adjusted On-Peak Market Price	Adjusted Off-Peak Market Price
	$/MWh	$/MWh			$/MWh	$/MWh
Jun-13	36.00	24.40	1.054	1.097	37.94	26.82
Jul-13	41.80	26.80	1.019	1.024	42.61	27.44
Aug-13	40.80	26.80	1.037	1.073	42.27	28.75
Sep-13	33.90	24.10	1.006	1.002	34.06	24.16
Oct-13	32.10	23.90	0.983	1.032	31.54	24.66
Nov-13	33.40	24.90	1.004	0.980	33.55	24.39
Dec-13	36.30	29.50	1.008	1.015	36.55	29.93
Jan-14	40.10	33.50	1.002	1.041	40.23	34.88
Feb-14	40.20	33.50	1.021	1.034	41.00	34.63
Mar-14	37.70	30.10	1.006	1.009	37.96	30.36
Apr-14	37.60	28.40	1.017	0.982	38.22	27.93
May-14	37.60	27.10	0.999	1.046	37.55	28.33
Jun-14	40.60	27.80	1.054	1.097	42.84	30.55
Jul-14	47.30	30.20	1.019	1.024	48.17	30.97
Aug-14	47.20	21.90	1.036	1.073	48.95	23.45
Sep-14	38.90	27.40	1.006	1.002	39.14	27.46
Oct-14	35.90	26.70	0.983	1.032	35.27	27.60
Nov-14	36.90	27.80	1.004	0.980	37.07	27.23
Dec-14	38.50	32.50	1.008	1.015	38.82	32.97
Jan-15	43.70	35.60	1.002	1.041	43.74	37.11
Feb-15	43.70	35.60	1.021	1.034	44.58	36.85
Mar-15	41.00	32.10	1.006	1.009	41.23	32.43
Apr-15	39.90	30.40	1.017	0.982	40.56	29.85
May-15	40.60	29.60	0.999	1.046	40.59	31.00

(a): On-Peak and Off-Peak Forward Market Prices as determined by reference to available market price data at time of Solicitation Close Date.

(b)Price Adjustment Factors as determined by AEP Ohio as described in Attachment C-2.

Table 3
Market Valuation Immediately Prior to Start of Delivery Period

[VALUES ARE FOR ILLUSTRATION ONLY]

	Forward Price (a)		Initial Tranche Volume (b)					Volume Adjustment Factor		
	On-Peak Market Price	**Off-Peak Market Price**	**On-Peak**	**Off-Peak**	**Current Mkt**	**Original Mkt Value on Solicitation Closing Date (c)**	**Change in Mkt Value**			**Volume Adjustment Change in Mkt Value**
	$/MWh	$/MWh	MWh	MWh	$000	$000	$000	On-Peak	Off-Peak	$000
Jun-13	39.60	26.90	3,386	3,653	232	226	6	0.8810	0.8955	5
Jul-13	45.98	29.48	4,078	3,844	301	279	22	1.0025	1.0054	22
Aug-13	44.88	29.48	3,986	3,595	285	272	13	1.0022	1.0061	14
Sep-13	37.24	26.51	2,900	2,578	176	161	15	1.0060	1.0088	15
Oct-13	35.31	26.29	2,367	2,452	148	135	13	1.0022	1.0039	13
Nov-13	36.74	27.39	2,799	2,288	166	150	16	1.0002	1.0019	16
Dec-13	39.88	32.45	3,480	3,259	245	225	20	1.0000	1.0013	20
Jan-14	49.90	45.44	2,749	3,247	285	264	21	0.9460	0.9415	58
Feb-14	44.17	36.85	3,133	2,776	241	225	16	0.9952	0.9873	16
Mar-14	41.53	33.11	3,095	2,841	223	204	19	0.9581	0.9865	19
Apr-14	41.36	31.30	2,440	2,554	181	165	16	0.9069	0.9120	15
May-14	41.36	29.81	2,905	2,705	201	186	15	0.9293	0.9289	14
Jun-14	44.72	30.64	3,386	3,653	263	257	6	0.8810	0.8955	5
Jul-14	51.98	33.28	4,078	3,844	340	315	25	1.0025	1.0054	25
Aug-14	51.98	33.28	3,986	3,595	327	312	15	1.0022	1.0061	48
Sep-14	42.79	30.14	2,900	2,578	202	184	18	1.0059	1.0088	17
Oct-14	39.49	29.43	2,367	2,452	166	151	15	1.0021	1.0039	14
Nov-14	40.59	30.58	2,799	2,288	184	166	18	1.0002	1.0019	18
Dec-14	42.35	35.75	3,480	3,259	264	243	21	1.0000	1.0014	22
Jan-15	48.02	39.22	3,749	3,247	307	284	23	0.9460	0.9416	22
Feb-15	48.02	39.22	3,133	2,776	259	242	17	0.9952	0.9873	17
Mar-15	45.10	35.37	3,095	2,841	240	220	20	0.9582	0.9865	19
Apr-15	43.89	33.44	2,440	2,554	192	175	17	0.9070	0.9120	15
May-15	44.72	32.62	2,905	2,705	218	202	16	0.9293	0.9289	15
								Total Mark to Market Exposure per Tranche(before discounting)(d)		466

(a): Adjusted On-Peak and Off-Peak Forward Market Prices determined as described in Attachments C-2 as of the date immediately prior to start of Delivery Period.
(b) Expected ON-Peak and Off-Peak SSO Load per Tranche determined as of Solicitation Closing Date - see Table 1.
(c):Original Market Value at Solicitation shown on Table 1.
(d) Actual values will be determined by calculating the present value of the Volume Adjusted Change in Market Value.

ATTACHMENT D
FORM OF GUARANTY

[ICT / TOTAL EXPOSURE AMOUNT] GUARANTY OF
_____ [Guarantor]

This Guaranty, dated as of _____, 201_, is made by _____, a _____ [corporation] (the "Guarantor"), for the benefit of Ohio Power Company, an Ohio corporation ("AEP Ohio"). Capitalized terms used herein but not defined herein shall have the meaning given such terms in the Agreement (as defined below).

WHEREAS, AEP Ohio has entered into or will be entering into that certain Master SSO Supply Agreement dated _____, 201_ (the "Agreement") with _____, a _____ [corporation] (the "SSO Supplier"), which may involve the extension of credit by AEP Ohio. Guarantor hereby acknowledges that it will receive a direct or indirect benefit from the business transactions between the SSO Supplier and AEP Ohio and the making of this Guaranty.

NOW, THEREFORE, in consideration of, and as an inducement for, AEP Ohio entering into the Agreement, the Guarantor hereby covenants and agrees as follows:

1. **Guaranty**. The Guarantor hereby unconditionally and absolutely guarantees to AEP Ohio the prompt payment when due, subject to any applicable grace period and upon demand in writing from AEP Ohio, of any and all amounts payable by the SSO Supplier to AEP Ohio arising out of the Agreement in connection with SSO Supplier's [ICR / Total Exposure Amount] (the "Obligations"). Notwithstanding the aggregate amount of the Obligations at any time or from time to time payable by the SSO Supplier to AEP Ohio, the liability of the Guarantor to AEP Ohio shall not exceed _____ U.S. Dollars ($_____).

2. **Nature of Guaranty.** The Guarantor hereby agrees that its obligations hereunder shall be unconditional irrespective of the impossibility or illegality of performance by the SSO Supplier under the Agreement; the absence of any action to enforce the Agreement; any waiver or consent by AEP Ohio concerning any provisions of the Agreement; the rendering of any judgment against the SSO Supplier or any action to enforce the same; any failure by AEP Ohio to take any steps necessary to preserve its rights to any security or collateral for the Obligations; the release of all or any portion of any collateral by AEP Ohio; or any failure by AEP Ohio to perfect or to keep perfected its security interest or lien in any portion of any collateral.

This Guaranty is one of payment and not of collection. This Guaranty shall remain in full force and effect or shall be reinstated (as the case may be) if at any time any payment guaranteed hereunder, in whole or in part, is rescinded or must otherwise be returned by AEP Ohio upon the insolvency, bankruptcy or reorganization of the SSO Supplier or otherwise, all as though such payment had not been made.

3. **Waivers.** Guarantor's obligation hereunder with respect to the Obligations shall not be affected by the existence, validity, enforceability, perfection or extent of any collateral for such

Obligations covered hereunder, or by any extension, or the acceptance of any sum or sums on account of SSO Supplier, or of any note or draft of SSO Supplier and/or any third party, or security

from SSO Supplier. AEP Ohio shall not be obligated to file any claim relating to the Obligations owing to it in the event that SSO Supplier becomes subject to bankruptcy, insolvency, reorganization, liquidation, dissolution, or similar proceedings affecting SSO Supplier (whether voluntary or involuntary), and the failure of AEP Ohio to so file shall not affect Guarantor's obligations hereunder.

4. **Effect of Amendments.** Guarantor agrees that AEP Ohio and SSO Supplier may modify or amend any or all of the Agreement and that AEP Ohio may, according to the Agreement, delay or extend the date on which any performance must be made under the Agreement, or release SSO Supplier from the obligation to so perform or waive any right thereunder, all without notice to or further assent by Guarantor, who shall remain bound by this Guaranty, notwithstanding any such act by AEP Ohio.

5. **Termination.** This Guaranty is intended to be and shall be construed to be a continuing, absolute and unconditional guaranty, and shall remain in full force and effect until all Obligations have been fully and finally performed, at which point it will expire. The Guarantor may terminate this Guaranty upon thirty (30) days prior written notice to AEP Ohio, which termination shall be effective only upon receipt by AEP Ohio of alternative means of security or credit support, as specified in the Agreement and in a form reasonably acceptable to AEP Ohio. Upon the effectiveness of any such expiration or termination, the Guarantor shall have no further liability under this Guaranty, except with respect to the Obligations existing prior to the time the expiration or termination is effective, which Obligations shall remain guaranteed pursuant to the terms of this Guaranty until finally and fully performed.

6. **Notices.** All notices and other communications about this Guaranty must be in writing, must be given by facsimile, hand delivery or overnight courier service and must be addressed or directed to the respective parties as follows:

If to AEP Ohio, to:

_____
_____
_____
_____
Facsimile No.: _____
Attn.: _____

If to the Guarantor, to:

_____
_____
_____
_____
Facsimile No.: _____
Attn.: _____

Notices are effective when actually received by the party to which they are given, as evidenced by facsimile transmission report, written acknowledgment or affidavit of hand delivery or courier receipt.

7. **Representations and Warranties.** The Guarantor represents and warrants to AEP Ohio as of the date hereof that:

a) The Guarantor is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and has full power and legal right to execute and deliver this Guaranty and to perform the provisions of this Guaranty on its part to be performed;

b) The execution, delivery and performance of this Guaranty by the Guarantor have been and remain duly authorized by all necessary corporate action and do not contravene any provision of its certificate of incorporation or by-laws or any law, regulation or contractual restriction binding on it or its assets;

c) All consents, authorizations, approvals, registrations and declarations required for the due execution, delivery and performance of this Guaranty have been obtained from or, as the case may be, filed with the relevant governmental authorities having jurisdiction and remain in full force and effect, and all conditions thereof have been duly complied with and no other action by, and no notice to or filing with, any governmental authority having jurisdiction is required for such execution, delivery or performance; and

d) This Guaranty constitutes the legal, valid and binding obligation of the Guarantor enforceable against it in accordance with its terms, except as enforcement hereof may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights or by general equity principles.

8. **Certification**. The Guarantor hereby certifies that it satisfies the Minimum Rating as defined in the Agreement.

9. **Setoffs and Counterclaims.** Without limiting the Guarantor's own defenses and rights hereunder, the Guarantor reserves to itself all rights, setoffs, counterclaims and other defenses to which the SSO Supplier is or may be entitled arising from or out of the Agreement, except for defenses arising out of bankruptcy, insolvency, dissolution or liquidation of the SSO Supplier.

10. **Subrogation.** The Guarantor will not exercise any rights that it may acquire by way of subrogation until all Obligations shall have been paid in full. Subject to the foregoing, upon payment of all such Obligations, the Guarantor shall be subrogated to the rights of AEP Ohio against the SSO Supplier, and AEP Ohio agrees to take at the Guarantor's expense such steps as the Guarantor may reasonably request to implement such subrogation.

11. **Expenses.** The Guarantor hereby agrees to pay on demand all reasonable out-of-pocket expenses (including the reasonable fees and expenses of AEP Ohio's counsel) in any way relating to the enforcement or protection of the rights of AEP Ohio hereunder; provided that the Guarantor shall not be liable for any expenses of AEP Ohio if no payment under this Guaranty is due.

12. **Assignment.** This Guaranty shall be binding upon the Guarantor and upon its permitted successors and assigns, and shall inure to the benefit of AEP Ohio and its permitted successors and assigns and shall apply to all successors and assigns of the SSO Supplier. The Guarantor may not assign this Guaranty nor delegate its duties or rights hereunder without the prior express written consent of AEP Ohio. AEP Ohio may assign this Guaranty in accordance with the terms of the Agreement.

13. **Amendments.** No term or provision of this Guaranty shall be amended, modified, altered, waived, or supplemented except in writing and signed by the parties hereto; provided, however, the Guarantor may increase the aggregate amount of the obligations in this Guaranty without a countersignature.

14. **Choice of Law and Venue.** The Guarantor and AEP Ohio hereby agree that this Guaranty shall be governed by and construed in accordance with the internal laws of the State of Ohio without giving effect to principles of conflicts of law.

15. **Waiver of Jury Trial**. The Guarantor and AEP Ohio, through acceptance of this Guaranty, waive all rights to trial by jury in any action, proceeding or counterclaim arising or relating to this Guaranty.

16. **Miscellaneous.** This Guaranty is the entire and only agreement between the Guarantor and AEP Ohio with respect to the guarantee of amounts payable by the SSO Supplier to AEP Ohio arising out of the Agreement in connection with SSO Supplier's [ICR / Total Exposure Amount]. All representations, warranties, agreements, or undertakings heretofore or contemporaneously made, which are not set forth herein, are superseded hereby.

IN WITNESS WHEREOF, the Guarantor has caused this Guaranty to be executed in its [corporate] name by its duly authorized representative as of the date first above written.

[GUARANTOR]

By:_____

Its: _____

ATTACHMENT E

FORM OF SSO SUPPLIER LETTER OF CREDIT

_____ (Date)

Letter of Credit No. _____

To: Ohio Power Company ("Beneficiary")
1 Riverside Plaza
Columbus, Ohio 43215
Attention: Credit Risk Management

1. We hereby establish in your favor this irrevocable transferable Letter of Credit (this "Letter of Credit") for the account of _____(the "Applicant"), in the aggregate amount of $_____, effective immediately and available to you at sight upon demand at our counters at _____(location) and expiring 364 days from date of issuance or any extension thereof (in the form of Annex 5), unless terminated earlier or automatically extended in accordance with the provisions hereof or otherwise extended.

2. This Letter of Credit is issued at the request of the Applicant, and we hereby irrevocably authorize you to draw on us, in accordance with the terms and conditions hereof, up to the maximum amount of this Letter of Credit, subject to reduction as provided in Paragraph 12 hereof. This Letter of Credit may be drawn:

(a) upon an Event of Default with respect to the Applicant under the Master Standard Service Offer Supply Agreement; or

(b) in the event the Applicant has failed to supply a substitute letter of credit thirty (30) days prior to the expiration of this Letter of Credit as required by the Master Standard Service Offer Supply Agreement.

3. A partial or full drawing hereunder may be made by you on any Business Day on or prior to the expiration of this Letter of Credit by delivering, by no later than 11:00 A.M. (prevailing Eastern Time[1]) on such Business Day to (Bank), (address), (i) a notice in the form of Annex 1 hereto, appropriately completed and duly signed by an Authorized Officer of the Beneficiary and (ii) your draft in the form of Annex 2 hereto, appropriately completed and duly signed by an Authorized Officer of the Beneficiary.

4. We may, but shall not be obligated to, accept any request to issue a substitute letter of credit. Such request shall be in an Availability Certificate in the form of Annex 3 hereto by you to us for exchange for a new letter of credit in the amount set forth in an Availability Certificate, which amount shall not exceed the present value of this Letter of Credit. Upon acceptance by us of

[1] If the issuer of the Letter of Credit is located in an area that is not in the Eastern time zone, this time and all other times in this Letter of Credit, and the definition of a Business Day should be adjusted accordingly.

any such request to issue a substitute letter of credit for exchange, the new letter of credit shall be issued in the amount as set forth in the Availability Certificate.

5. We hereby agree to honor a drawing hereunder made in compliance with the terms and provisions of this Letter of Credit by transferring in immediately available funds the amount specified in the draft delivered to us in connection with such drawing to such account at such banks in the United States as you may specify in your draft delivered to us pursuant to Paragraph 3 hereof, by 3:00 P.M. prevailing Eastern Time on the date of such drawing, if delivery of this requisite document is made prior to 11:00 A.M. (prevailing Eastern time) on a Business Day pursuant to Paragraph 3 hereof, but at the opening of business on the first Business Day next succeeding the date of such drawing if delivery of the requisite document is made after 11:00 A.M. (prevailing Eastern time) on any Business Day pursuant to Paragraph 3 hereof.

6. If a demand for payment made by you hereunder does not, in any instance, conform to the terms and conditions of this Letter of Credit, we shall give you prompt notice (not later than three (3) Business Days following the date of receipt of the documents) that the demand for payment was not effected in accordance with the terms and conditions of this Letter of Credit, stating the reasons therefore and that we will upon your instructions hold any documents at your disposal or return the same to you. Upon being notified that the demand for payment was not effected in conformity with this Letter of Credit, you may attempt to correct any such non-conforming demand for payment to the extent that you are entitled to do so, provided, however, that in such event a conforming demand for payment must be timely made in accordance with the terms of this Letter of Credit.

7. This Letter of Credit will automatically terminate and be delivered to us for cancellation on the earliest of (i) the making by you of the drawings in an amount equal to the maximum amount available to be made hereunder; (ii) the date we issue a new letter of credit in exchange for this Letter of Credit in accordance with Paragraph 4 hereof; and (iii) the date we receive from you a Certificate of Expiration in the form of Annex 4 hereto. The Letter of Credit will be automatically extended without written amendment for successive additional one (1) year periods from the current or any future extended expiry date, unless at least ninety (90) days prior to such date of expiration, we give written notice to the Beneficiary by registered or certified mail, return receipt requested, or by overnight courier, at the address set forth above, or at such other address of which prior written notice has been provided to us, that we elect not to renew this Letter of Credit for such additional one (1) year period.

8. As used herein:

"Authorized Officer" shall mean President, Treasurer, any Vice President, any Assistant Treasurer or any other person holding an equivalent title.
"Availability Certificate" shall mean a certificate substantially in the form of Annex 3 hereto, appropriately completed and duly signed by an Authorized Officer of the Beneficiary.
"Business Day" shall mean any day on which commercial banks are not authorized or required to close in New York, NY and any day on which payments can be effected on the Fed wire system.
"Master Standard Service Offer Supply Agreement" shall mean that certain Master Standard Service Offer Supply Agreement between the Applicant and the Beneficiary, dated _____.

9. This Letter of Credit is assignable and transferable, in accordance with Annex 6, to an entity certified by you to us in the form of Annex 6, and we hereby consent to such assignment or transfer, provided that this Letter of Credit may not otherwise be amended or modified without consent from us, you and the Applicant, and, except as otherwise expressly stated herein, is subject to the Uniform Customs and Practice for Documentary Credits – 2007 Revision, ICC Publication No. 600, or any successor publication thereto (the "UCP"). Any and all banking charges, transfer fees, expenses and costs shall be borne by the Applicant. This Letter of Credit shall, as to matters not governed by the UCP, be governed and construed in accordance with New York law, without regard to principles of conflicts of law.

10. This Letter of Credit sets forth in full our undertaking, and such undertaking shall not in any way be modified, amended, changed, amplified or limited by reference to any document, instrument or agreement referred to herein, except for Annexes 1 through 6 hereto and the notices referred to herein; and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement except as set forth above.

11. We certify that as of _____(date) we _____ ("Bank") satisfy the minimum long-term senior unsecured debt rating of "A-" from Standard & Poor's Rating Services or "A3" from Moody's Investors Service, Inc.

12. The amount which may be drawn by you under this Letter of Credit shall be automatically reduced by the amount of any drawings paid through us referencing this Letter of Credit No. _____. Partial drawings are permitted hereunder. Drafts showing amounts in excess of amounts available under this Letter of Credit are acceptable, however, in no event will payment exceed the amount available to be drawn under this Letter of Credit.

13. Faxed document(s) are acceptable. Presentation by fax must be made to fax number _____ confirmed by telephone to _____.

14. In the event of act of God, riot, civil commotion, insurrection, war, terrorism or any strikes or lock outs, or any cause beyond our control, that interrupts our business, and causes the place for presentation of this Letter of Credit to be closed for business on the last day of presentation, the expiration date of this Letter of Credit shall be automatically extended without amendment to a date thirty (30) calendar days after the place for presentation reopens for business.

15. This original Letter of Credit has been sent to the Beneficiary located at _____ (as per Applicant's instructions). Any demands or communications in the form of the attached Annexes (except for Annex 5) or other communications directed to us under this Letter of Credit must be signed by an Authorized Officer of the Beneficiary. Acceptance or rejection of any amendments to this Letter of Credit or any extensions pursuant to Annex 5 must be signed by an Authorized Officer of the Beneficiary.

Very truly yours,

(Bank)

_____

By:_____

Name:

Title:

By:_____

Name:

Title:

Annex 1 to Letter of Credit

DRAWING UNDER LETTER OF CREDIT NO. _____

_____, 20__

To: (Bank)
(Address)

Attention: Standby Letter of Credit Unit

Ladies and Gentlemen:

The undersigned is making a drawing under the above-referenced Letter of Credit in the amount specified below and hereby certifies to you as follows:

1. Capitalized terms used and not defined herein shall have the meanings ascribed thereto in the Letter of Credit.

2. Pursuant to Paragraph 2 of the Letter of Credit No._____, dated_____, 20__, the undersigned is entitled to make a drawing under the Letter of Credit in the aggregate amount of $_____, inasmuch as (choose one of the following by placing an "X" on the line preceding the statement):

_____ (a) An Event of Default has occurred with respect to the Applicant under the Master Standard Service Offer Supply Agreement;

_____ (b) The Applicant has failed to supply a substitute letter of credit thirty (30) days prior to the expiration of this Letter of Credit as required by the Master Standard Service Offer Supply Agreement.

3. The amount to be received by Ohio Power Company is $_____.

4. We acknowledge that, upon your honoring the drawing herein requested, the amount of the Letter of Credit available for drawing shall be automatically decreased by an amount equal to this drawing.

Very truly yours,

Ohio Power Company

By: _____
Name:
Title:
Date:

Annex 2 to Letter of Credit

DRAWING UNDER LETTER OF CREDIT NO. _____

_____, 20__

ON [Business Day set forth in Paragraph 5]

PAY TO: Ohio Power Company

$ _____

For credit to the account of _____.

FOR VALUE RECEIVED AND CHARGE TO ACCOUNT OF LETTER OF CREDIT NO. _____ OF

(Bank)
(Address)

Ohio Power Company

By: _____
Name:
Title:
Date:

Annex 3 to Letter of Credit

AVAILABILITY CERTIFICATE
UNDER LETTER OF CREDIT NO. _____

_____, 20__
To: (Bank)
(Address)

Attention: Standby Letter of Credit Unit

Ladies and Gentlemen:

Each of the undersigned hereby requests that, in exchange for the above-referenced Letter of Credit, a new letter of credit be issued in the aggregate amount of $_____ (the "New Amount") and to expire on _____(date), but otherwise in the form of the above-referenced Letter of Credit.

Please acknowledge your intention to issue such new letter of credit in the New Amount upon the surrender of the above-referenced Letter of Credit by signing the attached acknowledgment copy hereof and forwarding it to:

[Beneficiary's Address]

Very truly yours,

Ohio Power Company

By: _____
Name:
Title:
Date:

Agreed and Accepted
(Bank)
By:_____
Title:
Date:

APPLICANT NAME
By:
Name:
Title:
Date:

Annex 4 to Letter of Credit

CERTIFICATE OF EXPIRATION
OF LETTER OF CREDIT NO. _____

_____, 20__

To: (Bank)
(Address)

Attention: Standby Letter of Credit Unit

Ladies and Gentlemen:

The undersigned hereby certifies to you that the above-referenced Letter of Credit may be cancelled without payment. Attached hereto is said Letter of Credit, marked cancelled.

Ohio Power Company

By: _____
Name:
Title:
Date:

cc: _____ (Applicant Name)

Annex 5 to Letter of Credit

NOTICE OF EXTENSION
OF LETTER OF CREDIT NO._____

_____, 20__

To: Ohio Power Company

Attention: Credit Risk Management

Re: Our Letter of Credit No. _____ presently in the aggregate amount of USD_____ issued for the account of _____ and expiring on _____.

On the expiration date of the Letter of Credit No. _____, we will issue a new Letter of Credit No. _____ to expire on _____(date). This new Letter of Credit No. _____ will, aside from the expiration date, be in the amount and form of our Letter of Credit No. _____.

Very truly yours,

BANK_____

By:
Name:
Title:
Date:

Ohio Power Company

By: _____
Name:
Title:
Date:

cc: _____ (Applicant Name)

Annex 6 to Letter of Credit

NOTICE OF TRANSFER
OF LETTER OF CREDIT NO._____

_____, 20__
To:
[Bank]
[Bank Address]

To Whom It May Concern:
Re: Credit_____
Issued by _____
Advice No_____

For the value received, the undersigned Beneficiary hereby irrevocably transfers to:

_____
(Name of Transferee)

_____
(Address)

all rights of the undersigned Beneficiary to draw under the above Letter of Credit in its entirety.

By this transfer, all rights of the undersigned Beneficiary in such Letter of Credit are transferred to the transferee and the transferee shall have the sole rights as beneficiary thereof, including sole rights relating to any amendments, whether increases, extensions or other amendments and whether now existing or hereafter made. All amendments are to be advised direct to the transferee without necessity of any consent of or notice to the undersigned beneficiary.

The advice of such Letter of Credit is returned herewith, and we ask you to endorse the transfer on the reverse thereof, and forward it directly to the transferee with your customary notice of transfer.

Very truly yours,

Ohio Power Company

By: _____
Name:
Title:
Date:

The above signature with title as stated conforms to that on file with us and is authorized for the execution of said instruments.

(Name of authenticating party)

_____

(Authorized signature of authenticating party)
Name
Title

ATTACHMENT F

SAMPLE PJM INVOICE

PJM Billing Statement Line Items (as of 11.7.13)		
ID #	**Resp.**	**CHARGES**
1000	SSO S	Amount Due for Interest on Past Due Charges
1100	**EDC**	**Network Integration Transmission Service**
1108	**EDC**	**Transmission Enhancement**
1110	SSO S	Direct Assignment Facilities
1119A	SSO S	Michigan-Ontario Interface Phase Angle Regulators
1120	SSO S	Other Supporting Facilities
1130	SSO S	Firm Point-to-Point Transmission Service
1133	SSO S	Firm Point-to-Point Transmission Service Resale
1140	SSO S	Non-Firm Point-to-Point Transmission Service
1143	SSO S	Non-Firm Point-to-Point Transmission Service Resale
1200	SSO S	Day-ahead Spot Market Energy
1205	SSO S	Balancing Spot Market Energy
1210	SSO S	Day-ahead Transmission Congestion
1215	SSO S	Balancing Transmission Congestion
1218	SSO S	Planning Period Congestion Uplift
1220	SSO S	Day-ahead Transmission Losses
1225	SSO S	Balancing Transmission Losses
1230	SSO S	Inadvertent Interchange
1240	SSO S	Day-ahead Economic Load Response
1241	SSO S	Real-time Economic Load Response
1242	SSO S	Day-Ahead Load Response Charge Allocation
1243	SSO S	Real-Time Load Response Charge Allocation
1245	SSO S	Emergency Load Response
1250	SSO S	Meter Error Correction
1260	SSO S	Emergency Energy
1301	SSO S	PJM Scheduling, System Control and Dispatch Service - Control Area Administration
1302	SSO S	PJM Scheduling, System Control and Dispatch Service - FTR Administration
1303	SSO S	PJM Scheduling, System Control and Dispatch Service - Market Support
1304	SSO S	PJM Scheduling, System Control and Dispatch Service - Regulation Market Administration
1305	SSO S	PJM Scheduling, System Control and Dispatch Service - Capacity Resource/Obligation Mgmt.
1306	SSO S	PJM Scheduling, System Control and Dispatch Service - Advanced Second Control Center
1307	SSO S	PJM Scheduling, System Control and Dispatch Service - Market Support Offset
1308	SSO S	PJM Scheduling, System Control and Dispatch Service Refund - Control Area Administration
1309	SSO S	PJM Scheduling, System Control and Dispatch Service Refund - FTR Administration
1310	SSO S	PJM Scheduling, System Control and Dispatch Service Refund - Market Support

1311	SSO S	PJM Scheduling, System Control and Dispatch Service Refund - Regulation Market Administration
1312	SSO S	PJM Scheduling, System Control and Dispatch Service Refund - Capacity Resource/Obligation Mgmt.
1313	SSO S	PJM Settlement, Inc.
1314	SSO S	Market Monitoring Unit (MMU) Funding
1315	SSO S	FERC Annual Recovery
1316	SSO S	Organization of PJM States, Inc. (OPSI) Funding
1317	SSO S	North American Electric Reliability Corporation (NERC)
1318	SSO S	Reliability First Corporation (RFC)
1320	**EDC**	**Transmission Owner Scheduling, System Control and Dispatch Service**
1330	**EDC**	**Reactive Supply and Voltage Control from Generation and Other Sources Service**
1340	SSO S	Regulation and Frequency Response Service
1350	SSO S	Energy Imbalance Service
1360	SSO S	Synchronized Reserve
1362	SSO S	Non-Synchronized Reserve
1365	SSO S	Day-ahead Scheduling Reserve
1370	SSO S	Day-ahead Operating Reserve
1371	SSO S	Day-ahead Operating Reserve for Load Response
1375	SSO S	Balancing Operating Reserve
1376	SSO S	Balancing Operating Reserve for Load Response
1377	SSO S	Synchronous Condensing
1378	SSO S	Reactive Services
1380	SSO S	Black Start Service
1400	SSO S	Load Reconciliation for Spot Market Energy
1410	SSO S	Load Reconciliation for Transmission Congestion
1420	SSO S	Load Reconciliation for Transmission Losses
1430	SSO S	Load Reconciliation for Inadvertent Interchange
1440	SSO S	Load Reconciliation for PJM Scheduling, System Control and Dispatch Service
1441	SSO S	Load Reconciliation for PJM Scheduling, System Control and Dispatch Service Refund
1442	SSO S	Load Reconciliation for Schedule 9-6 - Advanced Second Control Center
1444	SSO S	Load Reconciliation for Market Monitoring Unit (MMU) Funding
1445	SSO S	Load Reconciliation for FERC Annual Recovery
1446	SSO S	Load Reconciliation for Organization of PJM States, Inc. (OPSI) Funding
1447	SSO S	Load Reconciliation for North American Electric Reliability Corporation (NERC)
1448	SSO S	Load Reconciliation for Reliability First Corporation (RFC)
1450	**EDC**	**Load Reconciliation for Transmission Owner Scheduling, System Control and Dispatch Service**
1460	SSO S	Load Reconciliation for Regulation and Frequency Response Service
1470	SSO S	Load Reconciliation for Synchronized Reserve
1472	SSO S	Load Reconciliation for Non-Synchronized Reserve
1475	SSO S	Load Reconciliation for Day-ahead Scheduling Reserve
1478	SSO S	Load Reconciliation for Balancing Operating Reserve

1480	SSO S	Load Reconciliation for Synchronous Condensing
1490	SSO S	Load Reconciliation for Reactive Services
1500	SSO S	Financial Transmission Rights Auction
1600	SSO S	RPM Auction
1610	SSO S	Locational Reliability
1650	SSO S	Non-Unit Specific Capacity Transaction
1660	SSO S	Demand Resource and ILR Compliance Penalty
1661	SSO S	Capacity Resource Deficiency
1662	SSO S	Generation Resource Rating Test Failure
1663	SSO S	Qualifying Transmission Upgrade Compliance Penalty
1664	SSO S	Peak Season Maintenance Compliance Penalty
1665	SSO S	Peak-Hour Period Availability
1720	SSO S	RTO Start-up Cost Recovery
1730	SSO S	Expansion Cost Recovery
1920	SSO S	Station Power
1930	SSO S	Generation Deactivation
1980	SSO S	Miscellaneous Bilateral
1995	SSO S	PJM Annual Membership Fee
1999	SSO S	PJM Customer Payment Default
ID #	**Resp.**	**CREDITS**
2100	SSO S	Network Integration Transmission Service
2106	SSO S	Non-Zone Network Integration Transmission Service
2108	SSO S	Transmission Enhancement
2110	SSO S	Direct Assignment Facilities
2120	SSO S	Other Supporting Facilities
2130	**EDC**	**Firm Point-to-Point Transmission Service**
2132	SSO S	Internal Firm Point-to-Point Transmission Service
2133	SSO S	Firm Point-to-Point Transmission Service Resale
2140	**EDC**	**Non-Firm Point-to-Point Transmission Service**
2142	SSO S	Internal Non-Firm Point-to-Point Transmission Service
2143	SSO S	Non-Firm Point-to-Point Transmission Service Resale
2210	SSO S	Transmission Congestion
2217	SSO S	Planning Period Excess Congestion
2218	SSO S	Planning Period Congestion Uplift
2220	SSO S	Transmission Losses
2240	SSO S	Day-ahead Economic Load Response
2241	SSO S	Real-time Economic Load Response
2245	SSO S	Emergency Load Response
2260	SSO S	Emergency Energy
2320	SSO S	Transmission Owner Scheduling, System Control and Dispatch Service
2330	SSO S	Reactive Supply and Voltage Control from Generation and Other Sources Service
2340	SSO S	Regulation and Frequency Response Service

2350	SSO S	Energy Imbalance Service
2360	SSO S	Synchronized Reserve
2365	SSO S	Day-ahead Scheduling Reserve
2370	SSO S	Day-ahead Operating Reserve
2371	SSO S	Day-ahead Operating Reserve for Load Response
2375	SSO S	Balancing Operating Reserve
2376	SSO S	Balancing Operating Reserve for Load Response
2377	SSO S	Synchronous Condensing
2378	SSO S	Reactive Services
2380	SSO S	Black Start Service
2420	SSO S	Load Reconciliation for Transmission Losses
2500	SSO S	Financial Transmission Rights Auction
2510	SSO S	Auction Revenue Rights
2600	SSO S	RPM Auction
2620	SSO S	Interruptible Load for Reliability
2630	SSO S	Capacity Transfer Rights
2640	SSO S	Incremental Capacity Transfer Rights
2650	SSO S	Non-Unit Specific Capacity Transaction
2660	SSO S	Demand Resource and ILR Compliance Penalty
2661	SSO S	Capacity Resource Deficiency
2662	SSO S	Generation Resource Rating Test Failure
2663	SSO S	Qualifying Transmission Upgrade Compliance Penalty
2664	SSO S	Peak Season Maintenance Compliance Penalty
2665	SSO S	Peak-Hour Period Availability
2666	SSO S	Load Management Test Failure
2912	SSO S	CT Lost Opportunity Cost Allocation
2930	SSO S	Generation Deactivation
2980	SSO S	Miscellaneous Bilateral

ATTACHMENT G

SAMPLE FORM OF DECLARATION OF AUTHORITY

This Declaration of Authority is made this _____ day of _____, _____ by Ohio Power Company ("**PARTY A**") and [SSO Supplier] ("**PARTY B**") for the benefit of PJM Interconnection, L.L.C. ("PJM").

RECITALS:

WHEREAS, PJM is a Regional Transmission Organization subject to the jurisdiction of the Federal Energy Regulatory Commission;

WHEREAS, PJM administers centralized markets that clear various electric energy and energy-related products among multiple buyers and sellers;

WHEREAS, PJM additionally exercises operational control over its members' transmission facilities whereby PJM provides control area functions, including economic dispatch, the scheduling of transmission service and emergency response to ensure reliability across an integrated transmission system; and

WHEREAS, in capacities more fully described below, PARTY A and PARTY B seek to participate either directly or indirectly in the markets administered by PJM or engage in operations that use or affect the integrated transmission system operated by PJM.

DECLARATION:

NOW, THEREFORE, acknowledging that PJM will rely on the truth, accuracy and completeness of the statements made below, PARTY A and PARTY B, as indicated below, provide the following declaration:

1. Declaration.

    a. PARTY B hereby declares that in all activities with PJM regarding PARTY B's provision of energy, capacity, ancillary services, scheduling and procurement of transmission service, congestion management and all other required products and services necessary to serve the load obligation assumed by PARTY B under the Master SSO Supply Agreement, dated [_____], by and between PARTY A and Party B (the "Agreement"), PARTY B shall be billed and be primarily liable to PJM for all costs associated in its procurement of such products and services (the "Declaration").

2. Reliance On Declarations

    a. Each of PARTY A and PARTY B recognizes and accepts that PJM is relying on the truth, accuracy and completeness of the Declaration made in making its

assessments as to creditworthiness and in assuring PJM's own compliance with its tariff, operating agreement, reliability agreement and business practices.

b. Each of PARTY A and PARTY B recognizes and accepts that each has a continuing duty to notify PJM if and when the Declaration made cease to be accurate and complete. Until such time as PJM receives written notification of any changes to such Declaration, signed by both PARTY A and PARTY B, PJM shall be entitled to rely perpetually on this Declaration as governing its relationship with PARTY A and PARTY B as to the subject matter of this Declaration. Any written notice of changes to the Declaration must be provided to PJM at least thirty days in advance of their effectiveness.

c. Each of PARTY A and PARTY B recognize and acknowledge that PJM will receive and rely on individually modeled accounts that contain only zonal-specific Provider of Last Resort load to manually adjust the accounts to move the applicable billing line items' amounts in their entirety from the applicable supplier's account to the applicable buyer's account.

d. PARTY A and PARTY B recognize and acknowledge that they have entered into the Agreement and that the Declaration is not intended in any way to change, revise or redistribute the rights and obligations of PARTY A or PARTY B under the Agreement. If the Declaration is determined to be inconsistent with any provision of the Agreement, with respect to the rights and obligations of PARTY A and PARTY B under the Agreement, the provisions of the Agreement shall be controlling on PARTY A and PARTY B.

3. Duration.

a. Each of PARTY A and PARTY B acknowledge and agree that the Declaration shall terminate upon the termination of the Agreement in accordance with its terms. To this end, within thirty (30) days prior to the termination of the Agreement in accordance with its terms or as soon thereafter as is practicable, each of PARTY A and PARTY B will provide written notice to PJM of the termination of the Declaration.

IN WITNESS WHEREOF, PARTY A and PARTY B execute this Declaration to be effective as of the date written above.

PARTY A	**PARTY B**
_____	_____
NAME:	NAME:
TITLE:	TITLE:

EXHIBIT DBW-5

Bidding Rules for the Auctions Under the Competitive Bidding Process of Ohio Power Company

NERA
ECONOMIC CONSULTING

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ARTICLE I. Introduction

I.1. Background

I.1.1. On March 30, 2012, Ohio Power Company ("AEP Ohio") filed an Electric Security Plan ("ESP II") that proposed a competitive bidding process ("CBP") for energy-only auctions that would transition AEP Ohio to procuring 100% of the energy needs of its Standard Service Offer ("SSO") customers with delivery beginning June 1, 2015 (Case No. 11-346-EL-SSO and Case No. 11-348-EL-SSO). SSO customers are customers who take retail generation service from AEP Ohio.

I.1.2. The Public Utilities Commission of Ohio ("Commission") issued an Opinion and Order regarding AEP Ohio's ESP II on August 8, 2012 ("ESP II Order"). The Commission in its ESP II Order mandated that AEP Ohio hold energy and capacity auctions for SSO customers beginning June 1, 2015.

I.1.3. On December 20, 2013, AEP Ohio filed an Electric Security Plan ("ESP III") that proposed a CBP for full requirements supply (Case No. 13-2385-EL-SSO). AEP Ohio's ESP III addressed the Commission's mandate in the ESP II Order to hold energy and capacity auctions for SSO customers for delivery beginning June 1, 2015. Through a February 25, 2015 Opinion and a May 28, 2016 Second Entry on Rehearing in Case No.13-2385-EL-SSO and Case No. 13-2386-EL-AAM, the Commission approved a modified ESP III to be in effect from June 2015 through May 2018.

I.1.4. As a result of the Commission's Order in Case No. 16-247-EL-UNC issued on March 2, 2016, AEP Ohio removed the load of Percentage of Income Payment Plan customers ("PIPP Customers") from the SSO auction product starting with the fourth auction of AEP Ohio's CBP under ESP III.

I.1.5. AEP Ohio is seeking approval of an amended Electric Security Plan ("Amended ESP III") that would, among other modifications, extend the existing term until May 31, 2024. These bidding rules form an integral part of AEP Ohio's application and describe the requirements for participation in the full requirements auctions to be held under the CBP over that period. AEP Ohio has made specific proposals to address the output from the Ohio Valley Electric Corporation ("OVEC").

I.1.6. AEP Ohio has retained NERA Economic Consulting to serve as Auction Manager. The Auction Manager can be contacted by email to AEP-CBP@nera.com.

I.2. Overview

I.2.1. These Bidding Rules for the Auctions Under the Competitive Bidding Process of Ohio Power Company ("CBP Rules") describe the process and requirements for participation in the full requirements auctions to be held under the CBP as proposed as part of AEP Ohio's Amended ESP III. Bidders also need to be familiar with other documents for the auctions including the Master SSO Supply Agreement, the Part 1 Application, and the Part 2 Application. The "CBP website", www.AEPOhioCBP.com, is the main source of information for bidders in the auctions as well as for other stakeholders.

I.2.2. AEP Ohio will seek to procure full requirements supply for its SSO customers for 12-month, 24-month, and 36-month contracts through descending clock auctions held twice

per year. The specific contract terms to be solicited in particular auctions are specified in more detail in the schedule posted to the CBP website. The delivery period for each contract is scheduled to start on the 1st of the month of June immediately following the auction.

I.2.3. SSO Load is divided in a number of "tranches", each representing a fixed percentage of SSO Load. Prior to each auction, the Auction Manager announces to bidders the number of tranches, the fixed percentage assigned to each tranche (the "tranche size"), as well as a figure in MW, the "MW-measure" assigned to each tranche. The Auction Manager, in consultation with Commission Staff may increase the tranche size over the course of the CBP if necessary to foster bidder interest.

I.2.4. In the Part 1 Application, an interested party applies to become a Qualified Bidder. To become a Qualified Bidder an interested party must be a Market Buyer, a Market Seller, and a PJM Load Serving Entity ("LSE"). If the interested party cannot make this certification, it must instead certify that it has no impediments to become a Market Buyer, a Market Seller, and a PJM LSE by the start of the delivery period and that it undertakes to do so if it becomes an SSO Supplier.

I.2.5. In the Part 2 Application, a Qualified Bidder makes a number of certifications, submits an indicative offer, and posts pre-bid security to become a Registered Bidder.

I.2.6. The term "bidder" is used generically to refer to a prospective bidder, a Qualified Bidder, or a Registered Bidder.

I.2.7. Each auction is conducted as a descending clock auction. A clock auction proceeds in a series of rounds. In the bidding phase of a round, each bidder states the number of tranches that it wants to supply at the price announced by the Auction Manager for each product available in an auction. The price will be in dollars per megawatt-hour. If there are more tranches bid for a product than there are tranches available in a round, the Auction Manager reduces the price for that product. The Auction Manager then announces the new price for each product available in the auction before the bidding phase of the next round opens. The auction continues and the prices tick down until the number of tranches bid for all products falls to the point where it equals the number of tranches available. When the auction ends, the bidders holding tranches in the final round are the winners. All winners receive the same price for a product.

I.2.8. Bidders that win at an auction for which results are accepted by the Commission become "SSO Suppliers". SSO Suppliers will assume all responsibilities of an LSE and are responsible for providing full requirements service to SSO customers of AEP Ohio and to bear all costs that are associated with this responsibility. Full requirements service includes, without limitation, energy, capacity, ancillary services, certain transmission services, as well as any other service as may be required by PJM. AEP Ohio will provide distribution services and will be responsible for Network Integration Transmission Service ("NITS") charges and for other non-market-based FERC-approved transmission charges. Full requirements service and the LSE obligations of SSO Suppliers are defined in the Master SSO Supply Agreement.

I.2.9. Payments to SSO Suppliers for each MWh of SSO Supply delivered of a product (SSO Supply is defined in Paragraph III.1.1) will be the auction clearing price for that product times a seasonal factor (auction clearing price is defined in Sections VI.4 and VII.4).

I.2.10. Commission Staff will oversee the conduct of the auctions and may also retain an advisor ("Commission Consultant") for this purpose. The Commission has a two (2) business day window from the conclusion of the auction for review of the results. The Commission may reject the results of the auction, through an Order filed within the review window, if specific criteria are met. The Commission may accept the results of the auction. If the Commission does not act within the review window, the results of the auction are deemed accepted by the Commission at the expiration of the review window. Winning bidders at the auction will execute the Master SSO Supply Agreement within three (3) days of acceptance of the results.

ARTICLE II. Information to Bidders

II.1. Information Provided to Bidders

II.1.1. Prospective bidders and other stakeholders can visit the CBP website, www.AEPOhioCBP.com, to obtain information and documents related to the auctions under AEP Ohio's CBP.

II.1.2. The CBP website consists of the following sections:

- A 'home' page that provides general information about the CBP.
- A 'background' page with links to AEP Ohio's filings with the Commission as well as Commission Orders related to the CBP.
- An 'information' page that includes all documents and forms needed to participate in the auction, frequently asked questions, and data.
- A 'data room' that provides historical data for bidders to use in preparing their bids;
- A 'results' page that provides information regarding the results of previous auctions held under the CBP.
- A 'calendar' page that provides the timeline for the main events in the auction and the schedule of auction products during the course of the ESP.
- A 'contact us' page with the Auction Manager's contact information, a web form for participants to register for email updates, and a web form to ask a question to the Auction Manager. The Auction Manager answers each questioner individually via email. The question and answer are then posted to the FAQ portion of the information page.

II.1.3. The data portion of the CBP website will be updated monthly. AEP Ohio will provide historical data for bidders to use in preparing their bids. The data will be provided in useable electronic format such as Excel or CSV. The data is expected to include:

- Historical hourly load by groups (residential, small commercial and industrial, as well as large commercial and industrial);
- Customer counts;
- Switching statistics; and
- Information on municipal aggregation.

II.1.4. No later than eight (8) days prior to the "Part 1 Date", which is the date when Part 1 Applications are due,, the Auction Manager will announce:

- A minimum starting price and a maximum starting price for the products in the auction. The "minimum and maximum starting prices" establish the range for the round 1 prices in the auction;
- The "tranche target" for each product, which is the number of tranches procured for each product in the auction;
- The "volume", which is the total number of tranches to be procured in the auction;

- The tranche size as a percentage of SSO Load; and
- The estimated MW-measure of each tranche.

II.1.5. No later than four (4) days prior to the "Part 2 Date", which is the date when Part 2 Applications are due, the Auction Manager will update the estimated MW-measure of the tranches in the auction. At that time, the Auction Manager will also update or confirm the seasonal factors that will be applicable to the products in the auction.

II.1.6. The Auction Manager will provide additional information to Qualified Bidders and Registered Bidders on a confidential basis, as further explained below.

II.2. Generic schedule

II.2.1. Unless noted otherwise, a "day" is a business day and all times refer to eastern prevailing time.

II.2.2. A generic schedule for events for one auction of the CBP is provided below. The provisional dates for each auction over the course of the CBP are provided in Appendix 1 to these CBP Rules.

Table 1. Generic Schedule.

Event	Date
Alternate guaranty process begins (if applicable)	Day -16
Bidder Information Session	Day -10
Auction Manager announces tranche targets, tranche size, MW-measure, minimum and maximum starting prices	Day -10
Alternate guaranty process ends (if applicable)	Day -5
Part 1 Window opens	Day 0
Part 1 Applications are due	Day 8
Part 1 Notification Date	Day 12
Part 2 Window opens	Day 13
Auction Manager announces any update to the MW-measure and announces seasonal factors	Day 13
Part 2 Applications are due	Day 22
Part 2 Notification Date	Day 27
Bidder User Manual Distributed	Day 27
Trial Auction for Registered Bidders	Day 28
Auction Manager informs Registered Bidders of round 1 prices	Day 29
Auction begins	Day 32
Auction Manager notifies AEP Ohio and the Commission of results	On day of auction close

Event	Date
End of Commission review period	Within two days of the auction close
Master SSO Supply Agreements Signed	Within three days of end of Commission review
Power Flow	TBD

II.2.3. The generic schedule is illustrative only and the timing of events for a particular auction may be different from the generic schedule. The actual schedule for each auction will be posted to the calendar page of the CBP website. The Auction Manager, in consultation with AEP Ohio and Commission Staff, may make changes to the schedule as circumstances warrant. Any such change will be announced to bidders and posted to the CBP website.

ARTICLE III. Products and Auctions

This section summarizes the key elements of the products. The Master SSO Supply Agreement provides details on the products and the supplier obligations. The CBP website provides details about the products to be procured in a specific auction.

III.1. SSO Supply and Supplier Obligations

III.1.1. Bidders participate in the CBP to provide full requirements service for AEP Ohio's SSO customers ("SSO Supply"). SSO Supply is defined in more detail in the Master SSO Supply Agreement.

III.1.2. "SSO customers" are customers who take retail generation service from AEP Ohio. SSO customers include customers that have reasonable arrangements under Section 4905.31, Revised Code[1] to the extent that such customers are not taking service from a Competitive Retail Electric Supplier. SSO customers do not include Percentage of Payment Income Plan Customers.

III.1.3. The "Master SSO Supply Agreement" defines the specific obligations associated with providing SSO Supply.

III.1.4. The auctions are designed to procure all elements of full requirements service for AEP Ohio's SSO customers. Each winning bidder will be responsible for fulfilling all the requirements of an LSE for the portion of AEP Ohio's SSO supply that it serves, including, without limitation, energy, capacity, ancillary services, market-based transmission service (excluding NITS), and any other service as required by PJM. AEP Ohio will provide distribution services and will be responsible for NITS charges and for other non-market-based FERC approved transmission charges. Full requirements service and the LSE obligations of SSO Suppliers are defined in the Master SSO Supply Agreement.

III.1.5. The hourly energy requirements of the SSO supply, as measured or profiled by AEP Ohio and settled by PJM, will include distribution losses, transmission losses, and unaccounted for energy, and will be de-rated for transmission losses in accordance with PJM's settlement methodology and implementation of marginal transmission losses.

III.2. Auctions and Tranches

III.2.1. SSO Supply will be divided into a number of tranches and each tranche will represent a fixed percentage of SSO Supply.

III.2.2. The Auction Manager may increase the tranche size to foster bidder interest. Such an increase in the tranche size would be determined by the Auction Manager in consultation with Commission Staff and announced to bidders no later than eight (8) days prior to the opening of the Part 1 Window.

[1] These customers are sometimes referred to as Special Contract customers.

III.2.3. A "product" is defined as SSO Supply for a given delivery period. The number of tranches to be procured for each product in an auction is called the tranche target and the total number of tranches to be procured in the auction is the volume.

III.2.4. A "load cap" is a maximum number of tranches that a bidder can bid and win in an auction. The "load cap percentage" is the maximum percentage of SSO Load that a bidder can bid and win in an auction.

III.2.5. AEP Ohio will seek to procure SSO Supply for its SSO customers through descending clock auctions for one or more of the following products: a 12-month product, a 24-month product, and a 36-month product in accordance with the schedule for the Amended ESP III posted to the "calendar" page of the CBP website. The delivery period for each contract for these products is scheduled to start on the 1st of the month of June immediately following the auction.

ARTICLE IV. Pre-Auction Processes

There are two (2) parts to the application process. In the "Part 1 Application", interested parties apply to become Qualified Bidders. In the "Part 2 Application", each Qualified Bidder makes certifications, provides an indicative offer, and posts pre-bid security to become a Registered Bidder. The Auction Manager communicates by email during the review of the Part 1 and Part 2 Applications unless specifically instructed otherwise by a bidder.

IV.1. Part 1 Application

IV.1.1. In the Part 1 Application, a bidder must:

- Submit an application from an individual with the power to bind the bidder;
- Agree to comply with all rules of the auction;
- Agree that if the bidder wins at the auction, the bidder will execute the Master SSO Supply Agreement with AEP Ohio and comply with the creditworthiness requirements set forth in the Master SSO Supply Agreement within three (3) days of acceptance of the auction results by the Commission;
- Show that the bidder is qualified by PJM as a Market Buyer, a Market Seller, and a PJM LSE (or, if not, certify that there exist no impediments to fulfilling these requirements by the start of the delivery period and undertake to do so if the bidder becomes an SSO Supplier);
- Certify that if the bidder becomes a Qualified Bidder, it will not disclose information regarding the list of Qualified Bidders or confidential information that may be obtained during the bidding process about Qualified Bidders;
- Provide financial statements and credit ratings; and
- Certify that if the bidder becomes a Qualified Bidder, it will not substitute another entity in its place, transfer its rights to another entity, or otherwise assign its status as a Qualified Bidder to another entity.

IV.1.2. The financial information provided in the Part 1 Application will be used to determine the bidder's (or the bidder's guarantor) credit-based tranche cap according to the table below. If the bidder or its guarantor is rated by only one (1) rating agency, that rating will be used. If the bidder or its guarantor is rated by at least two (2) rating agencies, the lower of the two (2) highest ratings will be used The credit-based tranche cap is an overall cap in effect across all products of a given auction. The credit-based tranche cap is in effect only during the bidding process. After the Master SSO Supply Agreement has been executed by a winning bidder, the credit-based tranche cap will no longer be in effect and the SSO Supplier will be required to meet the credit terms in accordance with Article 5: Credit and Performance Security in the Master SSO Supply Agreement.

Table 2. Credit-Based Tranche Cap.

Credit Rating for Bidder or Guarantor			
S&P	**Moody's**	**Fitch**	**Credit-Based Tranche Cap**
BB and above	Ba2 and above	BB and above	No Cap
BB-	Ba3	BB-	10
Below BB-	Below Ba3	Below BB-	5
If not rated by any of these rating agencies			5

IV.1.3. A single credit-based tranche cap is granted to affiliated bidders.

IV.1.4. The parameters in the table above may vary over time at AEP Ohio's sole discretion.

IV.1.5. A foreign bidder or a bidder desiring to rely on the creditworthiness of a foreign entity must, as a condition of being able to rely on the financial standing of such entity, provide drafts of additional documents required under the Master SSO Supply Agreement, such as an opinion from foreign counsel and a draft sworn certificate of the corporate secretary for evaluation by AEP Ohio.

IV.1.6. The Part 1 Date is the last day of the "Part 1 Window", which is the period during which Part 1 Applications are processed. Part 1 Applications must be submitted to the Auction Manager no later than 12 PM (noon) on the Part 1 Date. The Auction Manager notifies bidders no later than four (4) days after the Part 1 Date whether they have met all the requirements to become a Qualified Bidder (the "Part 1 Notification Date"). The Auction Manager sends the "Part 1 Notification" to bidders that have met all the requirements to become a Qualified Bidder. The Part 1 Notification includes a summary of the pre-bid security that the Qualified Bidder must post as one of the requirements to become a Registered Bidder.

IV.1.7. Bidders that have qualified in a prior auction under this CBP for AEP Ohio will be able to participate in an abbreviated process.

IV.1.8. With the Part 1 Notification, the Auction Manager will send to each Qualified Bidder a list of Qualified Bidders. Further, the Auction Manager will send the list of Qualified Bidders to AEP Ohio, Commission Staff, and the Commission Consultant. All parties receiving a list of Qualified Bidders, or any information that is not publicly released, will be subject to the confidentiality requirements as specified below.

IV.2. Part 2 Application

IV.2.1. A Qualified Bidder must successfully complete the Part 2 Application process in order to become a Registered Bidder that can bid in the auction. Only Qualified Bidders may submit a Part 2 Application.

IV.2.2. A Qualified Bidder is "associated with" another Qualified Bidder if the two bidders have ties that could allow them to act in concert or that could prevent them from competing actively against each other. The competitiveness of the auction and the ability of the auction to produce competitive prices may be harmed by the coordinated or collusive

behavior that associations facilitate. As the Auction Manager relies on a number of factors to assess and promote competitive bidding, including the number of independent competitors, providing inaccurate information or insufficient disclosure of associations in the Part 2 Application is prohibited.

IV.2.3. In the Part 2 Application, each Qualified Bidder will make a number of certifications regarding associations to ensure that the bidder is participating independently of other Qualified Bidders and to ensure the confidentiality of information regarding the auction. These certifications are provided below in Article X. Qualified Bidders that are unable to make all these certifications may be required to make additional undertakings and may be subject to specific rules regarding the load caps, as specified more fully in the Rules and Protocols for Participation by Associated Bidders.

IV.2.4. In the Part 2 Application, each Qualified Bidder must also:

- Submit an indicative offer;
- Submit a preliminary interest in each product when there are several products in the auction; and
- Post pre-bid security sufficient to support its indicative offer at the maximum starting price.

IV.2.5. A Qualified Bidder's "indicative offer" specifies two (2) numbers of tranches. The first number represents the number of tranches that the Qualified Bidder is willing to supply at the minimum starting price for all products in the auction and the second number represents the number of tranches that the Qualified Bidder is willing to supply at the maximum starting price for all products in the auction.

IV.2.6. The indicative offer must be such that:

- The number of tranches specified in the indicative offer at the minimum starting price does not exceed the number of tranches specified at the maximum starting price;
- The number of tranches at the maximum starting price does not exceed the load cap, which is set at 80% of the volume;
- The number of tranches at the maximum starting price, together with the number of tranches won in previous auctions that overlap the delivery period of the products in the auction, do not exceed the credit-based tranche cap.

IV.2.7. A Qualified Bidder's "preliminary interest" for a product specifies two (2) numbers of tranches. The first number represents the number of tranches that the Qualified Bidder is willing to bid for that product at the maximum starting price and the second number represents the number of tranches that the Qualified Bidder is willing to bid for that product at the minimum starting price. The preliminary interest at a given price (the minimum starting price or the maximum starting price) must not exceed the indicative offer at that price. However, the sum of the preliminary interests across all products at a given price may exceed the indicative offer at that price.

IV.2.8. The indicative offer is important in two (2) respects. First, the Auction Manager may use the indicative offers and preliminary interests to inform the setting of the round 1 prices. Second, the indicative offer at the maximum starting price determines the bidder's "initial

eligibility", which is the maximum number of tranches that a bidder can bid in the first round of the auction.

IV.2.9. Each Qualified Bidder must post pre-bid security sufficient to support its indicative offer at the maximum starting price.

- Each bidder must post a pre-bid letter of credit or cash in an amount of $500,000 per tranche of the bidder's indicative offer at the maximum starting price;
- Each bidder that relies on the financial standing of a guarantor must, in addition to a pre-bid letter of credit or cash, provide a "letter of intent to provide a guaranty", which is a document executed by an authorized representative of the guarantor. A bidder may also be required to submit a "letter of reference", which is a document from a financial institution in support of the bidder's indicative offer;
- If a bidder is advised that a letter of intent to provide a guaranty and/or a letter of reference is required for a given amount, a bidder may elect instead to increase its pre-bid letter of credit or cash by that amount.
- A foreign bidder or a bidder desiring to rely on the creditworthiness of a foreign entity must, as a condition of being able to rely on the financial standing of such entity, provide the executed additional documents required under the Master SSO Supply Agreement, such as an opinion from foreign counsel and a draft sworn certificate of the corporate secretary for evaluation by AEP Ohio, incorporating all changes required by AEP Ohio upon review of the draft documents submitted with the Part 1 Application. A bidder that does not satisfy this requirement will be subject to the credit-based tranche cap and will be required to provide the pre-bid security required when such bidder may not rely on the financial standing of such entity.

Each Qualified Bidder will be advised of the pre-bid security that it must post with its Part 2 Application in its Part 1 Notification. The maximum amount of pre-bid security required per tranche is determined on the basis of the Independent Credit Requirement per Tranche ("ICRT") due at the time of execution of the Master SSO Supply Agreement and will be announced prior to each auction.

IV.2.10. A Bidder that posts cash must request wire instructions from the Auction Manager and must acknowledge the conditions under which such cash may be drawn.

IV.2.11. The standard form of the pre-bid letter of credit and other credit documents that are acceptable to AEP Ohio will be posted to the CBP website.

IV.2.12. Pre-bid security will remain in full force, at a minimum, until the tenth (10th) day after the start of the auction. Subsequently, a bidder's pre-bid letter of credit or cash will be returned: (a) as soon as practicable after the Commission's decision on the auction results if the bidder has won no tranches, and (b) as soon as practicable after the bidder has signed the Master SSO Supply Agreement and has complied with all creditworthiness requirements of the Master SSO Supply Agreement for the tranches that it has won.

IV.2.13. AEP Ohio can collect on the pre-bid letter of credit or AEP Ohio can draw upon cash posted if a bidder wins tranches but fails to sign the Master SSO Supply Agreement or fails to comply with the creditworthiness requirements within three (3) days of acceptance of the auction results by the Commission.

IV.2.14. Bidders will have an opportunity to request modifications to the standard credit instruments in advance of qualification. All modifications accepted to these credit instruments for the benefit of a single bidder will be made available to all bidders on an optional basis. The prospective bidder, in its Part 2 Application, must provide the required executed credit documents that either use the standard form or incorporate only those modifications to the standard form that are acceptable to AEP Ohio.

IV.2.15. Bidders will have the opportunity once a year to participate in an Alternate Guaranty Process in advance of qualification. AEP Ohio and the Auction Manager will consider only an alternate form of guaranty if it has been used by the guarantor in its normal course of business. The Alternate Guaranty Process, including specific criteria for approval, is described in the Alternate Guaranty Process document. In particular, the alternate form of guaranty must provide credit protections to AEP Ohio and its customers that are substantially similar to the credit protections provided to AEP Ohio by the standard form of guaranty. A supplier unable to use the standard form of guaranty provided as Attachment D to the Master SSO Supply Agreement may submit an alternate form of guaranty for consideration by AEP Ohio including any required modifications, revisions, and other documents identified as necessary for acceptability by AEP Ohio.

IV.2.16. Part 2 Applications must be submitted to the Auction Manager no later than 12 PM (noon) on the Part 2 Date. Qualified Bidders will be notified by the Auction Manager whether they have met all the requirements to become a Registered Bidder no later than five (5) days after the Part 2 Date (the "Part 2 Notification Date"). The Auction Manager sends the "Part 2 Notification" to bidders that have met all the requirements to become a Registered Bidder. With the Part 2 Notification, the Auction Manager will send to each Registered Bidder its initial eligibility, the list of Registered Bidders, and the total initial eligibility in the auction across all Registered Bidders. The "total initial eligibility" is the sum across all Registered Bidders of the indicative offers at the maximum starting price. Qualified Bidders, in their Part 2 Applications, will have undertaken to maintain the confidentiality of the list of Registered Bidders and the total initial eligibility, and to destroy documents including electronic files with this information provided by the Auction Manager within five (5) days of the Commission decision on the auction results.

IV.2.17. No later than three (3) days before the auction, the Auction Manager will inform all Registered Bidders of the round 1 prices in the auction. The round 1 prices will be no higher than the maximum starting price and no lower than the minimum starting price. The Auction Manager will set the round 1 prices.

IV.2.18. The Auction Manager may reduce the volume prior to the auction if indications of interest are such that doing so is required to promote more competitive bidding. The reduction in volume would be effected by reducing the number of tranches to be procured from each product in proportion to its initial tranche target. The Auction Manager will advise bidders of this fact.

IV.2.19. The Auction Manager will also provide to AEP Ohio, Commission Staff and Commission Consultant the list of Registered Bidders and the total initial eligibility in the auction.

IV.3. Sanctions for Failing to Comply with the Part 1 and Part 2 Applications

IV.3.1. Sanctions can be imposed on a bidder for failing to disclose information relevant to determining associations, for coordinating with another bidder, or for failing to abide by any of the certifications that it will have made in its Part 1 and Part 2 Applications.

IV.3.2. Such sanctions can include, but are not limited to, termination of the Master SSO Supply Agreement, loss of all rights to provide SSO supply for AEP Ohio to serve any load won by such bidder, forfeiture of financial guarantees and other fees posted or paid, prosecution under applicable state and federal laws, debarment from participation in future competitive bidding processes, and other sanctions that may be appropriate.

IV.3.3. The Auction Manager, in its report submitted to the Commission at the conclusion of the auction, will make a recommendation on a possible sanction for any bidder that violates any of its undertakings under the Part 1 or the Part 2 Application process or that fails to disclose information required by the Part 1 or the Part 2 Application process.

IV.4. Application Processing

IV.4.1. The Auction Manager, for the purposes of the auction, provides all notifications to the Representative by email unless specifically instructed otherwise by a bidder. Any notification or other written communication from the Auction Manager to a bidder that is sent by email will be sent to the email addresses provided for the Representative and the Representative's Nominee(s) as defined in Paragraph IV.4.5. Any such notification or communication will be deemed received by the bidder at the time of delivery or transmission, provided that when delivery or transmission occurs after 6 PM on a business day or occurs on a day that is not a business day, receipt will be deemed to occur at 9 AM on the following business day.

IV.4.2. Bidders submit to a two-step application process. Part 1 Applications are submitted during the Part 1 Window. The last day of the Part 1 Window is the Part 1 Date. All materials for the Part 1 Applications must be received by 12 PM (noon) on the Part 1 Date.

IV.4.3. The Part 1 Application consists of the online Part 1 Form and attachments that are uploaded to the "application website". Bidders will be provided logon credentials for the application website upon submitting an expression of interest to the Auction Manager.

IV.4.4. The Auction Manager reviews a Part 1 Application on the day of receipt and provides the bidder with an assessment of whether or not the Part 1 Application is complete and consistent with the requirements. If a bidder receives a notice from the Auction Manager that the Part 1 Application is deficient or requires clarification, and if the bidder does not respond by the time required in the notice, the bidder will not be qualified. A bidder provides any additional information that is required exclusively through the online Part 1 Form or through upload of attachments to the application website. Any communication from the bidder to the Auction Manager by email, for example to advise the Auction Manager that the online Part 1 Form has been updated, should be addressed to AEP-CBP@nera.com.

IV.4.5. Appendix B to the Part 1 Form may be used at any time by the Representative to provide contact information for up to four (4) individuals to be included in electronic communications from the Auction Manager (the Representative himself or herself, as well as three "Nominees").

IV.4.6. A bidder is qualified pursuant to a successful Part 1 Application if its Part 1 Application is received on or before 12 PM (noon) on the Part 1 Date and if its Part 1 Application is complete and consistent with all requirements. All bidders that are qualified pursuant to a successful Part 1 Application are "Qualified Bidders". The Auction Manager will notify each bidder regarding its status by the Part 1 Notification Date. Along with the Part 1 Notification, the Auction Manager will also send to each Qualified Bidder a list of all Qualified Bidders and a creditworthiness assessment that details the pre-bid security to be provided with the Part 2 Application.

IV.4.7. Qualified Bidders that wish to participate in the auction must also submit a Part 2 Application to the Auction Manager. Only Qualified Bidders may submit Part 2 Applications. Part 2 Applications are processed during a specific timeframe, the "Part 2 Window". The last day of the Part 2 Window is the Part 2 Date. All materials for the Part 2 Applications must be received by 12 PM (noon) on the Part 2 Date.

IV.4.8. The Part 2 Application consists of the online Part 2 Form and pre-bid security. The Part 2 Application requires the submission of an indicative offer as well as an executed pre-bid letter of credit or cash. A bidder may also be required to submit a letter of intent to provide a guaranty, proposed guaranty, supplemental documents (i.e. legal opinion(s) of guarantor's counsel) and/or a letter of reference from a financial institution. For auctions with several products, bidders must also submit preliminary interest in each product. The pre-bid security instruments must be provided in a form acceptable to AEP Ohio and must be sufficient to support the indicative offer at the maximum starting price.

IV.4.9. The Auction Manager reviews a Part 2 Application on the day of receipt and provides the bidder with an assessment of whether or not the Part 2 Application is complete and consistent with the requirements. If a bidder receives a notice from the Auction Manager that the Part 2 Application is deficient or requires clarification, and if the bidder does not respond by the time required in the notice, the bidder will not be registered. A bidder provides any additional information that is required exclusively through the online Part 2 Form or through sending pre-bid security in the manner appropriate to the specific pre-bid security instrument. Any communication from the bidder to the Auction Manager by email, for example to advise the Auction Manager that the online Part 2 Form has been updated, should be addressed to AEP-CBP@nera.com.

IV.4.10. A bidder is registered pursuant to a successful Part 2 Application if its Part 2 Application is received on or before 12 PM (noon) on the Part 2 Date and if its Part 2 Application is complete and consistent with the requirements. All bidders that are registered pursuant to a successful Part 2 Application are "Registered Bidders". The Auction Manager will notify each bidder regarding its status by the Part 2 Notification Date. Along with the Part 2 Notification, the Auction Manager will also send to each Registered Bidder a list of all Registered Bidders, the total initial eligibility in the auction, as well as the Bidder User Manual. Neither the list of Registered Bidders nor the total initial eligibility in the auction will be released publicly.

IV.5. Extraordinary Events

IV.5.1. An extraordinary event must be agreed to by AEP Ohio and the Auction Manager. Such events could include, but are not limited to, the advent of war, the disruption of a major supply source, or other events that could affect significantly the cost of supply.

IV.5.2. This section is applicable to a situation where AEP Ohio and the Auction Manager agree that an extraordinary event has occurred between the time at which the minimum starting price and the maximum starting price are announced and the day on which bidding starts.

IV.5.3. The Auction Manager may determine that, due to extraordinary events, the minimum starting price and the maximum starting price require revision. The Auction Manager will determine the revised minimum starting price and revised maximum starting price. The Auction Manager may also revise the schedule for the auction. The Auction Manager will announce to bidders any revision to the maximum starting price, to the minimum starting price, or to the schedule.

IV.5.4. If the indicative offers and preliminary interests have already been received, the Auction Manager will require new indicative offers and preliminary interests from bidders based on the revised minimum starting price and revised maximum starting price. The Auction Manager will establish a schedule that affords bidders sufficient time to revise their indicative offers, preliminary interests, and pre-bid security.

ARTICLE V. General Bidding Provisions

V.1. Rounds

V.1.1. The auction format is a multiple-round descending-price clock auction.

V.1.2. Each round of the auction is divided into three (3) phases: a bidding phase, a calculating phase, and a reporting phase.

V.1.3. In the "bidding phase" of the round, bidders place bids. A bidder can modify its bid as long as the bidding phase of the round is open. The valid bid is the last received bid that is submitted and verified during the bidding phase and processed by the Auction Software. A valid bid is a firm commitment to supply the number of tranches indicated at the price of the round and a valid bid cannot be rescinded. A bidder with positive eligibility must submit a bid in every round (even when the bidder's bid does not change).

V.1.4. The "calculating phase" immediately follows the bidding phase. In the calculating phase of the round, the Auction Manager tabulates the results of that round's bidding phase and calculates the prices for the next round. During this phase, bidders cannot submit bids and bidders do not yet have access to the results from that round's bidding phase.

V.1.5. The "reporting phase" immediately follows the calculating phase. In the reporting phase of the round, the Auction Manager informs the bidders of the results of that round's bidding phase. Each bidder privately receives the results of its own bid from that round. All bidders are informed of the going prices for the next round's bidding phase and are provided with a range of total excess supply in the auction. The "going prices" in a round are the prices at which the Auction Manager is soliciting bids in that round.

V.1.6. The Auction Manager provides the times of the start and end of each phase of the rounds to the bidders with the Bidder User Manual. The schedule is subject to change at the Auction Manager's discretion and bidders will be advised of any changes in the schedule through the Auction Software.

V.2. Decrements

V.2.1. The percentage decrease of the going price for a product from one round to the next is called a "decrement". The Auction Manager will define a relationship whereby the decrement for a product will be positively related to the difference between the number of tranches bid and the tranche target for that product. This relationship may differ by product.

V.2.2. The decrement relationships, in the form of an equation or a table, will be provided to bidders in the Bidder User Manual.

V.2.3. The Auction Manager has the discretion in any round to override the decrement relationship for any product. The Auction Manager would advise bidders when it uses such discretion.

V.2.4. Prices will be rounded off to the nearest cent.

V.3. Miscellaneous Provisions

V.3.1. The Auction Manager can call a time-out to the auction at any time during a round. A "time-out" will suspend activity in the auction. It is intended that a "time-out" will lasts period generally less than one hour; however, the Auction Manager retains the discretion to suspend activity for a longer period if necessary. Whenever a time-out is called, the Auction Manager reports to all bidders how long the time-out is expected to last.

V.3.2. If there is insufficient supply for the tranches to ensure competitive bidding, the Auction Manager will reduce the volume. The reduction in volume would be effected by reducing the number of tranches to be procured from each product in proportion to its initial tranche target. The Auction Manager will advise bidders of such reductions. The criteria that could lead to such a reduction will be determined prior to the auction but will not be announced to bidders. Once certain pre-specified criteria have been met, the discretion to reduce the volume will be eliminated and there will be no reduction in volume. Thus, any exercise of this discretion would be more likely in the earlier rounds of the auction.

V.3.3. A bidder with zero eligibility will lose its ability to view the auction results through the Auction Software within three (3) rounds.

V.4. Bidding Procedures

V.4.1. The primary bidding method for the auction is the electronic submission of bids through the Auction Software. The Auction Manager will hold a trial auction for the purposes of bidder training. Participation at the trial auction is optional.

V.4.2. The secondary bidding method for the auction is by phone. If a bidder is experiencing technical difficulty and cannot submit a bid using the Auction Software, the bidder calls a technical assistant who enters the bidder's bid on the bidder's behalf.

V.4.3. It is the bidder's sole and entire responsibility to submit a bid on time whether using the primary or secondary bidding method.

ARTICLE VI. Bidding Rules for Single Product Auctions

VI.1. Round 1 of the Auction

VI.1.1. The round 1 price is announced to Registered Bidders no later than three (3) days prior to the start of the auction.

VI.1.2. A "bid" consists of the number of tranches that the bidder wants to supply at the going price of the round (for round 1, this is the round 1 price).

VI.1.3. A bid in round 1 must satisfy the following condition: the number of tranches bid cannot exceed the bidder's initial eligibility. The bidder's initial eligibility is the number of tranches in the bidder's indicative offer at the maximum starting price. Because the number of tranches in the indicative offer at the maximum starting price cannot exceed the load cap, the number of tranches bid in round 1 will also be at or below the load cap.

VI.1.4. A bidder is not required to bid in round 1 the same number of tranches as in the bidder's indicative offer at the maximum starting price. A bidder may bid fewer tranches than the bidder's initial eligibility (including bidding zero tranches).

VI.1.5. If the number of tranches bid by all bidders exceeds the number of tranches available, the auction proceeds to round 2. During the reporting phase of round 1, the Auction Manager informs all bidders of the going price for round 2 as well as a range of total excess supply. The going price for round 2 is lower than the round 1 price. The "total excess supply" is the greater of: (i) zero; or (ii) the number of tranches bid less the tranche target. The possible ranges of total excess supply will be provided to bidders in the Bidder User Manual.

VI.1.6. During the reporting phase of round 1, the Auction Manager informs each bidder individually of the result of its bid. In particular, the Auction Manager informs each bidder of its "eligibility" for round 2, which is the maximum number of tranches that the bidder can bid in round 2. The eligibility of a bidder for round 2 is the number of tranches that the bidder bid in round 1.

VI.2. Round 2 and Subsequent Rounds

VI.2.1. A bid specifies the number of tranches that the bidder wants to supply at the going price for the round.

VI.2.2. In round 2 and in any subsequent round, a bid must satisfy the following condition: the number of tranches bid cannot exceed the bidder's eligibility for that round. A bidder's eligibility in a round is the number of tranches the bidder bid in the previous round.

VI.2.3. A bidder can either select to bid the same number of tranches as it bid in the previous round or it can select to bid fewer tranches. A bidder cannot increase the number of tranches bid from the previous round. As stated in Paragraph VI.1.3., the number of tranches bid in round 1 is at or below the load cap. Thus, the number of tranches bid by a bidder is at or below the load cap for the entire auction.

VI.2.4. If a bidder selects to bid fewer tranches than in the previous round, the bidder "withdraws" tranches from the auction. The bidder is required to specify an exit price for the tranches that the bidder is withdrawing. An "exit price" is a last and best offer for the tranches withdrawn. An exit price must be less than or equal to the going price in the previous round and must be greater than the going price in the current round. A bidder that withdraws tranches loses the eligibility associated with these tranches and forfeits the right to bid these tranches for the remainder of the auction.

VI.2.5. If there are more tranches bid than are available in a round, the auction proceeds to the next round. In the reporting phase of the current round, the Auction Manager informs all bidders of the going price for the next round as well as a range of total excess supply for the current round.

VI.2.6. In the reporting phase, the Auction Manager also reports privately to each bidder the bidder's eligibility for the next round. The eligibility of a bidder for the next round is the bidder's eligibility for the current round less the number of tranches withdrawn in the current round.

VI.2.7. A bidder that bids zero (0) tranches can no longer win at the auction if the auction proceeds to the next round. Such a bidder loses its access to the Auction Software no earlier than the round in which the bidder bids zero (0) tranches. Such a bidder loses its access to the Auction Software no later than three (3) rounds after it has no remaining obligation.

VI.2.8. If it is not the case that the number of tranches bid by all bidders exceeds the number of tranches available, the auction ends in the reporting phase of the round. The Auction Manager informs bidders of the auction clearing price. The Auction Manager informs each bidder of the number of tranches it has won at the auction clearing price.

VI.3. Failure to Submit a Bid

VI.3.1. It is the bidder's sole and entire responsibility to submit a bid on time whether using the primary or secondary bidding method. If a bidder with positive eligibility does not submit a bid in a round, the bidder is assigned a "default bid". A default bid is a bid placed on behalf of the bidder that consists of the minimum number of tranches that the bidder could have bid.

VI.3.2. The default bid in round 1 is zero tranches for all products and the bidder cannot be a winner at the auction.

VI.3.3. The default bid in round 2 and all subsequent round is zero tranches. The exit price is equal to the going price in the previous round.

VI.4. End of Auction

VI.4.1. If the number of tranches bid by all bidders in the final round exactly equals the number of tranches that are available, the auction clearing price is the going price in the final round.

VI.4.2. If the number of tranches bid by all bidders in the final round falls short of the number of tranches available, the Auction Manager first accepts all bids at the going price of the

final round. The Auction Manager then ranks the withdrawn tranches in ascending order of their exit price. The Auction Manager accepts enough tranches to award all available tranches, in order, starting with the lowest exit price. The auction clearing price is the exit price associated with the last awarded tranche and is the lowest price at which sufficient supply is bid for the tranches available.

VI.4.3. If the Auction Manager must award some but not all of the tranches from two (2) or more bidders that named the same exit price, the Auction Manager chooses at random, for each tranche, the bidder that will be awarded the tranche. For the first tranche needed at the tied exit price, the probability that a bidder is chosen is the number of tranches that the bidder has withdrawn at the exit price divided by the total number of tranches withdrawn at the exit price. If a second tranche is needed at the tied exit price, the Auction Manager again will choose at random the bidder whose tranche will be retained. The probability that any one bidder is chosen is the number of tranches that the bidder has withdrawn at the exit price and that have not yet been awarded divided by the total number of tranches withdrawn at the exit price and that have not yet been awarded. The Auction Manager repeats this procedure until all tranches available are awarded.

VI.4.4. The Auction Manager selects withdrawn tranches that are a result of default bids only if all bids at the going price and all tranches withdrawn by bidders (and not by default) are not sufficient to meet the number of tranches available. If the Auction Manager must award withdrawn tranches that are the result of default bids and two (2) or more bidders have default bids, the Auction Manager chooses at random, for each tranche, the bidder that will be awarded the tranche, in a procedure analogous to that described in the preceding paragraph.

ARTICLE VII. Bidding Rules for Multiple Product Auctions

VII.1. Round 1

VII.1.1. The round 1 prices are announced to Registered Bidders no later than three (3) days prior to the start of the auction.

VII.1.2. A "bid" consists of the number of tranches that the bidder wants to supply of each product at the going prices of the round (for round 1, these are the round 1 prices).

VII.1.3. A bid in round 1 must satisfy the following condition: the total number of tranches bid across all products cannot exceed the bidder's initial eligibility. The bidder's initial eligibility is the number of tranches in the bidder's indicative offer at the maximum starting price. Because the number of tranches in the indicative offer at the maximum starting price cannot exceed the load cap, the number of tranches bid in round 1 will also be at or below the load cap.

VII.1.4. A bidder is not required to bid in round 1 the same total number of tranches across all products as the number of tranches in the bidder's indicative offer at the maximum starting price. A bidder may bid fewer tranches than the bidder's initial eligibility (including bidding zero tranches).

VII.1.5. If the number of tranches bid by all bidders exceeds the number of tranches available for at least one product, the auction proceeds to round 2. During the reporting phase of round 1, the Auction Manager informs all bidders of the going prices for round 2 as well as a range of total excess supply. The "excess supply" for a product is the number of tranches bid less the tranche target. The "total excess supply" is the sum across all products of the greater of: (i) zero; or (ii) the excess supply for the product; plus any free eligibility, as defined below in Paragraph VII.2.17. The going price for round 2 for a product is lower than the round 1 price if and only if the number of tranches bid for that product was greater than the tranche target for that product. The possible ranges of total excess supply will be provided to bidders in the Bidder User Manual.

VII.1.6. During the reporting phase of round 1, the Auction Manager informs each bidder individually of the result of its bid. In particular, the Auction Manager informs each bidder of its "eligibility" for round 2, which is the maximum number of tranches that the bidder can bid in round 2. The eligibility of a bidder for round 2 is the total number of tranches that the bidder bid in round 1.

VII.2. Round 2 and Subsequent Rounds

VII.2.1. A bid specifies the number of tranches that the bidder wants to bid of each product at the going prices of the round.

VII.2.2. In round 2 and in any subsequent round, a bid must satisfy the following condition: the total number of tranches bid across all products cannot exceed the bidder's eligibility for that round. A bidder's eligibility in round 2 is the number of tranches the bidder bid in round 1. A bidder's eligibility in round 3 and any subsequent round is the bidder's

eligibility in the immediately preceding round less any tranches withdrawn in the immediately preceding round, as further defined below.

VII.2.3. A bidder can either select to bid the same total number of tranches as it bid in the previous round or it can select to bid fewer tranches. A bidder cannot increase the total number of tranches bid from the previous round. As stated in Paragraph VII.1.3, the total number of tranches bid in round 1 is at or below the load cap. Thus, the total number of tranches bid by a bidder is at or below the load cap for the entire auction.

VII.2.4. If a bidder selects to bid fewer tranches across all products than in the previous round, the bidder is requesting to "withdraw" tranches from the auction for at least one product. A bidder can only withdraw tranches from a product when the price for that product has ticked down from the previous round. The bidder is required to specify an exit price for the tranches that the bidder is withdrawing from a product. An "exit price" is a last and best offer for the tranches withdrawn from a product. An exit price for a product must be less than or equal to the going price in the previous round for that product and must be greater than the going price in the current round for that product. The exit price is the same for all tranches withdrawn from a product but exit prices for different products need not be the same. A bidder that withdraws tranches loses the eligibility associated with these tranches and forfeits the right to bid these tranches for the remainder of the auction. A bidder that requests to withdraw tranches from a product may see its request refused, as explained further below.

VII.2.5. If a bidder selects to bid the same number of tranches across all products as in the previous round, the bidder may request a "switch", which means that the bidder decreases the number of tranches bid for one or more products and increases the number of tranches bid for one or more products while leaving the total number of tranches bid unchanged. As is the case when a bidder is reducing the number of tranches bid on a product because the bidder is requesting to withdraw tranches, a bidder can reduce the number of tranches bid on a product through a switch only if the price for that product has ticked down from the previous round. A bidder may increase the number of tranches bid on a product whether or not the price for that product has ticked down. A bidder that requests a switch may be required to provide switch priorities, as defined further below. A bidder that requests a switch may see its request refused, as explained further below.

VII.2.6. A bidder may both withdraw and switch tranches, which means that the bidder bids on fewer tranches than in the previous round in total but that the bidder increases the number of tranches bid on at least one product. If a bidder is both switching and withdrawing, a bidder can reduce tranches on a particular product only if the going price for that product has decreased from the previous round.

VII.2.7. The Auction Manager fills the tranche target of a product in price order. First, the Auction Manager uses tranches bid at the going price, then the Auction Manager denies requests to withdraw and retains tranches starting with those bid at the lowest exit prices, and as necessary, the Auction Manager denies requests to switch and retains tranches at the last price at which these tranches were freely bid.

VII.2.8. The Auction Manager relies on exit prices when the number of tranches bid on a product at the going price falls short of that product's tranche target due to reductions from withdrawals or due to reductions from withdrawals and switches. The Auction Manager

will then refuse some or all requests to withdraw, as needed to fill the tranche target of the product. The tranches with lower exit prices are "retained" first, and they are retained at the exit price that the bidder has named. A bidder loses the eligibility corresponding to the withdrawn tranches even if the withdrawn tranches from the product are retained. Any withdrawn tranches that are retained in a round will be released (and the request to withdraw will be accepted at that later point) if new tranches for the product are bid at the going price and serve to fill the tranche target for that product in place of the withdrawn tranches.

VII.2.9. If two or more bidders are tied at an exit price, and if the Auction Manager must retain some but not all the tranches from these tied bidders to fill the tranche target of a product, then the Auction Manager, for each tranche to be retained, will choose at random the bidder whose tranche is retained. For the first tranche needed at the tied exit price, the probability that a bidder is chosen is the number of tranches that the bidder has bid at the exit price divided by the total number of tranches bid at the exit price. If a second tranche is needed at the exit price, the Auction Manager again will choose the bidder whose tranche will be retained at random. The probability that any one bidder is chosen is the number of tranches that the bidder has bid at the exit price and that have not yet been retained divided by the total number of tranches bid at the exit price and that have not yet been retained. The Auction Manager repeats this procedure until the tranche target for the product is filled.

VII.2.10. When there are three (3) or more products in the auction, a bidder may increase the number of tranches bid on more than one product. In that case, the bidder must assign a unique switch priority to each of the products for which the bidder is increasing the number of tranches bid. A switch priority of '1' is the highest priority and it is assigned to only one product; the next highest priority is '2' and it is assigned to a different and unique product, etc. A "switch priority" indicates that, if the request to switch is partially but not completely accepted, the bidder prefers that the tranches of the product with the highest priority be increased first (followed by the product with the next highest priority, etc.).

VII.2.11. The Auction Manager will deny requests to switch only when, to keep the tranche target of a product filled, the Auction Manager must retain all tranches that were withdrawn out of that product (if any) and must deny some, or all, reductions from that product that come from switches. A "denied switch" is a tranche that the Auction Manager retains in this manner. The denied switches are retained at the price at which they were last freely bid. When there are three (3) or more products in the auction, the Auction Manager will use the switch priorities provided by a bidder when, to keep the tranche target for a product filled, the Auction Manager must deny some, but not all, reductions from that product that come from that single bidder's switch. The Auction Manager will fill the needed number of tranches for that product by denying the lowest priority (1 is the highest priority) switch first, and then successively denying higher priority switches until the tranche target is met.

VII.2.12. If there are several bidders that requested switches, and some, but not all switches must be denied, for each tranche of the tranche target that must be filled by denying a reduction from a switch, the Auction Manager chooses at random the bidder whose switch is denied. For the first switch that must be denied, the probability that the Auction Manager chooses a tranche bid by a bidder requesting a switch is the number of tranches by which the bidder's bid on the product is reduced by the switch and that could be denied, divided by the total number of tranches by which the number of tranches bid on the product is reduced by switches from all bidders and that could be denied. If a second

switch must be denied, the Auction Manager again chooses at random the bidder whose switch will be denied. The probability that the Auction Manager chooses a tranche bid by a bidder requesting a switch is the number of tranches by which the bidder's bid on the product is reduced by the switch and that could have but have not yet been denied, divided by the total number of tranches by which the number of tranches bid on the product is reduced by all switches from bidders and that could have been but have not yet been denied. The Auction Manager repeats this procedure until the tranche target for the product is filled.

VII.2.13. When there are three (3) or more products in the auction, a bidder that is both switching and withdrawing can reduce the number of tranches bid for more than one product, and increase the number of tranches bid for at least one product. In that case, the bidder will be asked to specify which tranches are withdrawn and which tranches are switched. The tranche or tranches that the bidder specifies to be withdrawn are the tranche(s) for which the bidder will name an exit price. The bidder may also be required to specify switch priorities if the bidder is increasing the number of tranches bid on more than one product.

VII.2.14. If total excess supply is strictly positive in a round, that is, there are more tranches bid than are available for at least one product or there is free eligibility as defined below in Paragraph VII.2.17, the auction proceeds to the next round. In the reporting phase of the current round, the Auction Manager informs all bidders of the going prices for the next round. The Auction Manager provides to all bidders a range for the total excess supply for the round that has just been completed.

VII.2.15. In the reporting phase, the Auction Manager also reports privately to each bidder the bidder's eligibility for the next round and the result of the bidder's own bid.

- If a bidder requested withdrawals or switches, and if all requests are accepted, the Auction Manager reports the bid made.
- If the bidder requested to withdraw tranches from a product and some or all of these tranches are retained, the Auction Manager informs the bidder of the number of withdrawn tranches that are being retained and the exit price at which these tranches are retained. While eligibility to bid these tranches in the auction is lost for the remainder of the auction, these tranches still remain as binding offers by the bidder until the request to withdraw is granted (which may or may not occur). If these tranches are retained until the end of the auction, the bidder wins the tranches.
- If a bidder requested a switch, and if some or all of these are denied, the Auction Manager informs the bidder of the number of tranches for which the switch is denied and the prices at which these tranches are retained, which is the last price at which the tranches were freely bid.
- If a bidder had one or more tranches retained from a requested withdrawal in a prior round, these tranches may be released and the withdrawal granted in the current round as new tranches bid at the going price replace the tranches retained from withdrawals in filling the tranche target. In that case, the Auction Manager reports privately to a bidder if a tranche (that had been withdrawn from a product and that had been retained) is now being released and thereby irrevocably removed from the auction.
- If a bidder had denied switches in a prior round, the Auction Manager continues to report in the current round that some or all of these switches are being denied in subsequent rounds as long as they are still needed to fill the product's tranche target.

These tranches may be "outbid" as new tranches bid at the going price replace the denied switches in filling the tranche target.

VII.2.16. If switches from more than one bidder are retained, and if not all denied switches are outbid, the Auction Manager chooses at random, for each denied switch that will be outbid, the bidder whose switch will be outbid. For the first denied switch that is outbid, the probability that the Auction Manager chooses a bidder's denied switch is the bidder's number of denied switches divided by the total number of denied switches for that product. If a second denied switch must be outbid, the Auction Manager again will choose at random the bidder whose denied switch will be outbid. The probability that the Auction Manager chooses a bidder's denied switch is the bidder's number of denied switches that have not yet been outbid divided by the total number of denied switches that have not yet been outbid. The Auction Manager repeats this procedure until the required number of denied switches has been outbid.

VII.2.17. A tranche from a denied switch for a bidder that is outbid by another bidder becomes "free eligibility" in the next round. A tranche of free eligibility must be bid on a product in the round in which it becomes available or the eligibility for that tranche will be lost. A tranche of free eligibility can be bid on any product. If a tranche of free eligibility is not bid and thus not used to increase the number of tranches bid on a product, then the tranche of free eligibility is considered to be withdrawn. When a tranche of free eligibility is withdrawn, the bidder does not name an exit price and the tranche will not be retained.

VII.2.18. A tranche from a denied switch for a bidder that is outbid by that same bidder becomes a tranche bid at the going price. If a bidder has retained tranches on a product from a denied switch and if this bidder bids new tranches for this same product at the going price, the bidder will be deemed to have bid all tranches at the going price for that product. Tranches from the denied switch become tranches that are bid at the going price.

VII.2.19. If withdrawn tranches from more than one bidder had been retained at the same exit price, and if not all retained tranches at that exit price are being released, the Auction Manager chooses at random the bidder or bidders whose tranches are released and thereby irrevocably removed from the auction. For the first retained tranche that should be released, the probability that a bidder is chosen is the bidder's number of retained tranches for the product at the tied exit price divided by the total number of retained tranches at that exit price for that product. If a second retained tranche needs to be released, the Auction Manager again will choose at random the bidder whose retained tranche will be released, and the probability that any one bidder is chosen is the bidder's number of retained tranches at the tied exit price that have not yet been released divided by the total number of retained tranches at the tied exit price that have not yet been released. The Auction Manager repeats this procedure until the required number of tranches has been released.

VII.2.20. A bidder has no remaining obligation when the bidder has zero eligibility and has no retained withdrawals. A bidder that has no remaining obligation can no longer win at the auction. Such a bidder loses its access to the Auction Software no earlier than the round after the bidder has been first informed that it has no remaining obligation. Such a bidder loses its access to the Auction Software no later than three (3) rounds after it has no remaining obligation.

VII.2.21. If the total excess supply is zero in a round, the auction ends in the reporting phase of the round. The auction ends for all products at the same time. The Auction Manager informs bidders of the auction clearing price for each product. The Auction Manager informs each bidder of the number of tranches it has won of each product at that product's auction clearing price.

VII.3. Failure to Submit a Bid

VII.3.1. It is the bidder's sole and entire responsibility to submit a bid on time whether using the primary or secondary bidding method. If a bidder with positive eligibility does not submit a bid in a round, the bidder is assigned a "default bid". A default bid is a bid placed on behalf of the bidder that consists of the minimum number of tranches that the bidder could have bid for each product.

VII.3.2. The default bid in round 1 is zero tranches for all products and the bidder cannot be a winner at the auction.

VII.3.3. The default bid in round 2 and all subsequent rounds is described in this paragraph.

- If the bidder had some tranches of free eligibility, these tranches are deemed to be withdrawn and are irrevocably removed.
- If, in the previous round, a bidder did not bid any tranches on a product at the going price and, in the reporting phase of that round, the Auction Manager reported that the bidder did not have any retained withdrawals or denied switches for that product, then the bidder is assigned zero tranches for that product.
- If, as of the reporting phase in the previous round, a bidder had some tranches on a particular product at the going price for the previous round, and if the product's price ticked down from the previous round to the current round, then the bidder is deemed to have withdrawn all tranches at the highest exit price, namely the price from the previous round. All tranches with a lower exit price are retained first, followed by tranches with the same exit price named by bidders that have submitted a bid in the current round, followed by tranches withdrawn by bidders with a default bid.
- If, as of the reporting phase in the previous round, a bidder had some tranches on a particular product at the going price for that round, and/or retained withdrawals, and/or denied switches; if the product's price did not tick down from the previous round to the current round; and if there is excess supply for the product in the current round, so that the price will tick down in the next round, then: (i) all withdrawals that were previously retained are released and the bidder has no remaining obligation from those tranches; (ii) all switches that had previously been denied are outbid and the bidder is assigned free eligibility for those tranches; (iii) all tranches previously bid at the going price are bid again on the product at the going price. If the bidder does not bid in the next round these tranches will be withdrawn and assigned the highest exit price.
- If, as of the reporting phase in the previous round, a bidder had some tranches on a particular product bid at the going price, and/or retained withdrawals, and/or denied switches; if the product's price did not tick down from that round to the current round; and if there is no excess supply for the product in the current round so that the price will not tick down in the next round, then: (i) any tranches bid at the going price continue to be bid at the going price; (ii) if any new tranches were bid on the product

at the going price in the current round, the denied switches (if any) of bidders that have been assigned default bids are outbid first, before the denied switches of bidders that have submitted a bid in the current round are outbid. If more than one bidder has been assigned a default bid, and if some but not all denied switches from such bidders are outbid, then for each denied switch that must be outbid, the Auction Manager chooses at random among the default bidders the bidder whose switch is outbid, in a procedure analogous to that used for bidders that submitted a bid; (ii) if any new tranches were bid on the product at the going price in the current round, and if all denied switches from default bidders and from bidders that submitted a bid are outbid, retained withdrawals are released, starting with the highest named exit price. For a given exit price, tranches from bidders that have been assigned default bids (if any) are released first, before the retained withdrawals of bidders that have submitted a bid in the current round. If more than one bidder has been assigned a default bid, and if some but not all of the retained withdrawals from such bidders must be released at a given exit price, then for each retained withdrawal that must be released, the Auction Manager chooses at random among the default bidders the bidder whose withdrawn tranche is released, in a procedure analogous to that used for bidders that submitted a bid.

VII.4. End of Auction

VII.4.1. If, the tranche target for a product in the final round is completely filled with tranches bid at the going price from the final round, the winners are those that submitted bids at the going price in the final round. The auction clearing price for that product is the going price from the final round.

VII.4.2. If, to fill the tranche target for a product in the final round, withdrawn tranches must be retained, but no switches were denied, then the winners are the bidders that submitted bids at the going price from the final round and the bidders that submitted the lowest of the exit prices. If, to fill the tranche target of a product in the final round, the Auction Manager must use some but not all the tranches from two or more bidders tied at the same exit price, then the Auction Manager, for each tranche, will choose at random the bidder whose tranche is retained. The auction clearing price given to all winners is the last exit price that was accepted to fill the tranche target.

VII.4.3. If, to fill the tranche target for a product in the final round the Auction Manager must deny requests to switch, then the winners are the bidders that submitted bids at the going price from the final round, the bidders that withdrew tranches (if any), and the bidders whose requests to switch (by reducing the number of tranches of that product) were denied. The auction clearing price received by all winners is the price at which the denied switches were last freely bid.

ARTICLE VIII. Post-Auction Process

VIII.1. Notification of Results

VIII.1.1. At the conclusion of the auction, the Auction Manager prepares a report on the auction results, which will:

- Include a determination of whether the competitive bidding process rules were followed and if not, whether the violation was such as to invalidate the results of the auction;
- Recommend a possible sanction for any bidder that violates any of its undertakings under the Part 1 or the Part 2 Application process or that fails to disclose information required by the Part 1 or the Part 2 Application process;
- Identify for each product the winning bidders, the number of tranches won by each winning bidder, and the auction clearing price;
- Report any issues with the conduct of the auction; and
- Include an assessment of whether the bidding process was competitive.

VIII.1.2. The Auction Manager transmits its report to the Commission and the Commission Consultant. The Auction Manager advises the winning bidders in the auction when the report has been transmitted to the Commission.

VIII.1.3. The Commission has a two (2) business day window from the conclusion of the auction for review of the results. The Commission may reject the results of the auction, through an Order filed within the review window, based upon a report from the Auction Manager or the Commission Consultant that the auction violates a specific CBP rule in such a manner so as to invalidate the auction or if the Commission determines that one or more of the following criteria were <u>not</u> met:

- The auction was oversubscribed on the basis of the indicative offers received in the Part 2 Application;
- There were four or more bidders;
- No bidder won more than 80% of the tranches available at the start of the auction.

Otherwise, the Commission shall accept the auction results.

VIII.1.4. The Commission may announce its acceptance of the results of the auction. If the Commission does not act within the review window, the results of the auction are deemed accepted by the Commission at the expiration of the review window.

VIII.1.5. Upon acceptance of the auction results by the Commission:

- The Auction Manager will notify AEP Ohio of the identity of the winning bidders and the number of tranches won by each winning bidder for each product. The Auction Manager will confirm the auction clearing price for each product. The Auction Manager will also provide contact information for the winning bidders so as to enable AEP Ohio to contact the winning bidders to execute necessary documents.

- The Auction Manager will notify each winning bidder of how many tranches the bidder has won for each product and the Auction Manager will confirm the auction clearing price for each product.
- The Auction Manager also will notify the unsuccessful bidders that they have not won any tranches.

VIII.1.6. The names of the winning bidders, the number of tranches won by each bidder for each product, and the auction clearing price for each product will remain confidential until released publicly by the Commission or as required by law.

VIII.2. Execution of Master SSO Supply Agreement

VIII.2.1. Each winning bidder and AEP Ohio will execute the Master SSO Supply Agreement within three (3) days of acceptance of the auction results by the Commission.

VIII.2.2. Each winning bidder must demonstrate compliance with the creditworthiness requirements set forth in the Master SSO Supply Agreement within three (3) days of acceptance of the auction results by the Commission.

VIII.2.3. AEP Ohio can collect on the pre-bid letter of credit or AEP Ohio can draw upon cash posted if a winning bidder does not execute the Master SSO Supply Agreement within three (3) days of acceptance of the auction results by the Commission, if it fails to demonstrate compliance with the creditworthiness requirements set forth in the Master SSO Supply Agreement, or if it fails to agree to any of the terms of the Master SSO Supply Agreement. If AEP Ohio exercises its right to collect on the pre-bid letter of credit or to draw upon cash posted, then any contractual rights or other entitlements of the winning bidder will terminate immediately without further notice by AEP Ohio. In addition, the winning bidder will be liable for damages incurred by AEP Ohio, which will be determined in accordance with the terms of the Master SSO Supply Agreement as though the winning bidder were a defaulting party to the Master SSO Supply Agreement.

VIII.2.4. The payment to SSO Suppliers for tranches won of a product will be the auction clearing price for that product times a seasonal factor. The seasonal factor for the summer, paid to the winning bidder from June 1 through September 30, will be higher than one (1). The seasonal factor for the winter, paid to the winning bidder in the remaining months, will be less than one (1). AEP Ohio will calculate the seasonal factors in advance of each auction in response to changing market conditions. The seasonal factors will be provided to bidders no later than four (4) days prior to the Part 2 Date and will be constant during the duration of the Master SSO Supply Agreement.

ARTICLE IX. Contingency Plans

IX.1.1. In certain circumstances purchases may be made under the Contingency Plans implemented through Paragraphs IX.1.2, IX.1.3, IX.1.4 and IX.1.5 or that are otherwise approved by the Commission. Costs of Contingency Plans will be deemed prudent and passed through AEP Ohio's retail rates.

IX.1.2. If an auction fails to procure all needed SSO Supply, the unfilled tranches will be offered in the next auction under the CBP. If the delivery period for the unfilled tranches starts prior to the next scheduled auction under the CBP, AEP Ohio will procure SSO Supply in PJM-administered markets. In that case, AEP Ohio will procure such SSO Supply from the start of the delivery period until the last day of the month after the month during which the auction in which the unfilled tranches are offered is held.

IX.1.3. If unfilled tranches are re-bid in an auction, and they remain unfilled after being offered at auction a second time, AEP Ohio will procure SSO Supply in PJM-administered markets for the remainder of the delivery period of the unfilled tranches.

IX.1.4. If an SSO Supplier defaults, the defaulted tranches will be offered in the next auction under the CBP, as long as the default occurs prior to the Auction Manager's announcement of the products available at auction and as long as the delivery period of the defaulted tranches is at least six months. The delivery period of the defaulted tranches would start on the first day of the second month after the month during which the auction in which the defaulted tranches are offered is held. If necessary, AEP Ohio will procure SSO Supply in PJM-administered markets for the defaulted tranches until an SSO Supplier wins such tranches at the auction or for the remainder of the delivery period as the case may be.

IX.1.5. If defaulted tranches are offered at auction but are not filled, they become unfilled tranches, and they will be offered in the next auction under the CBP. If such unfilled tranches are re-bid in an auction, and they remain unfilled after being offered at auction a second time, AEP Ohio will procure SSO Supply in PJM-administered markets for the remainder of the delivery period of the defaulted tranches.

IX.1.6. All costs incurred by AEP Ohio in connection with a supplier default and with any Contingency Plan will be deemed prudent and passed through AEP Ohio's retail rates. The costs of purchases and/or sales made under the Contingency Plan associated with a defaulting supplier will be offset by amounts recovered from the supplier, liquid security or guarantees; however, the pass-through of any excess costs will not be limited to the amount of any such recovery. In some cases, such as when the termination costs incurred by AEP Ohio pursuant to the Master SSO Supply Agreement as a result of the supplier default are less than the costs that would have been incurred absent the default, payments may be due to the defaulting supplier. Such payments to the defaulting supplier will be deemed prudent costs associated with procuring supply for SSO Load and will be passed through AEP Ohio's retail rates.

IX.1.7. Any changes that the Commission may require concerning the timing and nature of replacement purchases may affect the costs of replacement supply for SSO Load in the event that not all available tranches are procured in any auction or a winning supplier defaults. The consequences of such changes will be borne by defaulting suppliers or passed through AEP Ohio's retail rates to the extent that they affect replacement costs.

ARTICLE X. Associations and Handling of Confidential Information

X.1. Process for Reporting Associations, Identifying Concerns and Remedies

X.1.1. A prospective bidder applying to qualify to bid will be required to disclose in its Part 1 Application any bidding agreement or arrangement in which it may have entered. A prospective bidder will be required to certify in its Part 1 Application that, should it qualify to participate, it will not disclose information regarding the list of Qualified Bidders. A prospective bidder also will be required to certify that it accepts the terms of the Master SSO Supply Agreement and, should it win tranches, it will sign the applicable Master SSO Supply Agreement and comply with all creditworthiness requirements by the stated deadline.

X.1.2. Once entities are qualified to bid, each Qualified Bidder will be asked in its Part 2 Application to make a number of certifications, each detailed in Section X.4 below, and each bidder may be required to provide additional information to the Auction Manager if a certification cannot be made. Each Qualified Bidder will be asked to certify that it will undertake to appropriately restrict its disclosure of Confidential Information Relative to Bidding Strategy and Confidential Information Regarding the Auction, as defined below. A Qualified Bidder also will be asked to certify that it has not and will not come to any agreement with another Qualified Bidder with respect to bidding in the auction, except as disclosed and approved by the Auction Manager in its Part 1 Application.

X.1.3. If a bidder cannot make all the certifications required, the Auction Manager will decide within five (5) days following the deadline to submit the Part 2 Application on a course of action on a case-by-case basis. To decide on this course of action, the Auction Manager may make additional inquiries to understand the reason for the inability of the bidder to make the certification. The Rules and Protocols for Participation by Associated Bidders provide specific procedures that will be followed when bidders that are associated with one another submit the Part 1 and Part 2 Applications to participate in an auction.

X.1.4. If Qualified Bidders do not comply with additional information requests by the Auction Manager regarding certifications required in the Part 2 Application, the Auction Manager may reject the application.

X.1.5. Sanctions may be imposed on bidders for failing to properly disclose information relevant to determining associations, for coordinating with another bidder without disclosing this fact, for releasing Confidential Information or disclosing information during the auction (aside from only the specific exceptions provided above with respect to entities explicitly named in the Part 1 Application as entities that are part of a bidding agreement or other arrangement, to an Advisor; or bidders with which it is associated). Such sanctions can include, but are not limited to, any one or more of the following: termination of the Master SSO Supply Agreement; the loss of all rights to serve any tranches won by such bidder; the forfeiture of letters of credit and other fees posted or paid; action (including prosecution) under applicable state and/or federal laws; attorneys' fees and court costs incurred in any litigation that arises out of the bidder's improper disclosure; debarment from participation in future competitive bidding processes; and/or other sanctions that may be appropriate. In such an event, the Auction Manager, in its report submitted to the Commission at the conclusion of the auction, will make a recommendation on a possible sanction.

X.2. Confidential Information

X.2.1. "Confidential Information Relative to Bidding Strategy" means information relating to a bidder's bids, whether in writing or verbally, which if it were to be made public likely would have an effect on any of the bids that another bidder would be willing to submit. Confidential Information Relative to Bidding Strategy includes (but is not limited to): a bidder's strategy; a bidder's indicative offer; a bidder's preference to bid on one product rather than another; the quantities that a bidder wishes to supply; the bidder's estimation of the value of a tranche of one or more products; the bidder's estimation of the risks associated with providing SSO Supply; and a bidder's contractual arrangements for purchasing power to provide SSO Supply were the bidder to win tranches in the auction.

X.2.2. "Confidential Information Regarding the Auction" means information that is not released publicly by the Commission, AEP Ohio, or the Auction Manager and that a bidder acquires as a result of participating in the auction, whether in writing or verbally, which if it were to be made public could impair the integrity of current or future auctions, impair the ability of AEP Ohio to hold future competitive bidding processes, or harm consumers, or injure bidders or applicants. Confidential Information Regarding the Auction includes (but is not limited to): the list of Qualified Bidders, the list of Registered Bidders, the initial eligibility, the status of a bidder's participation, and all non-public reports of results and announcements made by the Auction Manager to any or all bidders during the auction.

X.2.3. Absolute protection from public disclosure of the bidders' data and information submitted as part of the CBP cannot be provided. By participating in the auction, each bidder acknowledges and agrees to the confidentiality provisions set forth herein, as well as any limitations thereto.

X.2.4. In addition, the bidder agrees the bidder's data and information submitted as part of the CBP will be disclosed if required by any federal, state or local agency (including, without limitation, the Commission) or by a court of competent jurisdiction. However, AEP Ohio will endeavor to notify the bidder in advance of such disclosure. In any event, neither AEP Ohio nor the Auction Manager, nor any of their employees or agents, will be responsible to the bidders or any other party, or liable for any disclosure of such designated materials before, during or subsequent to the auction. Notwithstanding the above, AEP Ohio and the Auction Manager reserve the right to use and communicate publicly and/or to third parties any and all information/data submitted as part of the CBP in any proceedings before FERC, the Commission, and any other regulatory body and the courts, if necessary, without the prior consent/approval of, or notice to, any such bidder.

X.3. Certifications and Disclosures – Part 1 Application

X.3.1. Each bidder must disclose any bidding agreement or any other arrangement in which the prospective bidder may have entered and that is related to its participation in the auction. A prospective bidder that has entered into such an agreement or arrangement must name the entities with which the prospective bidder has entered into a bidding agreement, or a joint venture for the purpose of participating in the auction, or a bidding consortium, or any other arrangement pertaining to participating in the auction. A bidding consortium is a group of separate businesses or business people joining together to submit joint bids in the auction.

X.3.2. Each bidder must certify that if the bidder qualifies to participate in the auction, the bidder will not disclose at any time information regarding the list of Qualified Bidders, including but not limited to the number of Qualified Bidders, the identity of any one of the Qualified Bidders (including the bidder itself), or the fact that an entity has not qualified for participation in the auction. A bidder unable to make this certification must identify the entity receiving such information and must explain the reasons for such disclosure.

X.3.3. Each bidder must certify that it agrees to destroy any document distributed by the Auction Manager that lists the Qualified Bidders within five (5) days of the decision on auction results by the Commission, or earlier if so instructed by the Auction Manager.

X.3.4. Each bidder must certify not to disclose any Confidential Information Relative to Bidding Strategy to any party that may have an effect on the participation of another bidder, prospective bidder, or on any of the bids that another bidder would be willing to submit. This certification must hold until the Commission's decision on auction results. A bidder unable to make this certification must identify the entity receiving such information and must explain the reasons for such disclosure.

X.3.5. Each bidder must certify that, to the extent Confidential Information Relative to Bidding Strategy is disclosed within the bidder's organization or to a third party, the bidder will ensure that sufficient precautions are taken to ensure that such Confidential Information is not made public or made available to another bidder. Such precautions include, but are not limited to confidentiality agreements, non-disclosure agreements, firewalls, and other contractual or structural protections that would maintain the confidential nature of a bidder's bidding strategy. If unable to make this certification, the bidder is required to identify and explain any instances where such precautions were not taken and any breach of confidentiality that may have occurred as a result.

X.4. Certifications and Disclosures – Part 2 Application

X.4.1. A Qualified Bidder is associated with another Qualified Bidder if the two bidders have ties that could allow them to act in concert or that could prevent them from competing actively against each other. The competitiveness of the auction and the ability of the auction to produce competitive prices may be harmed by the coordinated or collusive behavior that associations facilitate. As the Auction Manager relies on a number of factors to assess and promote competitive bidding, including the number of independent bidders, providing inaccurate information or insufficient disclosure of associations in the Part 2 Application is prohibited.

X.4.2. Each bidder will consult the list of Qualified Bidders provided with the Part 1 Notification in order to determine whether it can make the certifications. Unless noted otherwise, the certifications apply from the time of qualification of bidders until three days after the decision on auction results by the Commission.

X.4.3. Each bidder must certify that it is not associated with another Qualified Bidder. A bidder that is unable to make this certification must identify the Qualified Bidder(s) with which it is associated and the nature of the association.

X.4.4. Each bidder must certify that, other than parties explicitly named in the Part 1 Application as parties with whom it has entered into a bidding agreement, joint venture for the

purpose of bidding in the auction, bidding consortium or other arrangement pertaining to bidding in the auction, the bidder has not entered into any agreement with another Qualified Bidder, directly or indirectly, regarding bids in the auction, including, but not limited to, the amount to bid at certain prices, when or at what prices bids are to be withdrawn, or the amount of exit prices.

X.4.5. An Advisor is an entity or person(s) that will be advising or assisting a bidder with bidding strategy in the auction, with estimation of the value of tranches, or with the estimation of the risks associated with providing SSO supply. Each bidder must certify to one of the following: (i) the bidder has not retained an Advisor; or (ii) the bidder has retained an Advisor, the Advisor will not provide any similar advice or assistance to any other Qualified Bidder, and the Advisor will not be privy to Confidential Information relative to another Qualified Bidder's bidding strategy; or (iii) the bidder has retained an Advisor that will provide similar advice or assistance to another Qualified Bidder, or that will be privy to Confidential Information Relative to another Qualified Bidder's Bidding Strategy, but appropriate protections have been put into place to ensure that the Advisor does not serve as a conduit of information between, or as a coordinator of the bidding strategies of, multiple bidders. A bidder that is unable to make this certification must name the Advisor and the Qualified Bidder(s) concerned.

X.4.6. Each bidder must certify that it is not a party to any contract for the purchase of power that might be used as a source for SSO supply, and that (i) would require the disclosure of any Confidential Information (Confidential Information Relative to Bidding Strategy or Confidential Information Regarding the Auction) to the counterparty under such a contract; or (ii) that would require the disclosure of any Confidential Information (Confidential Information Relative to Bidding Strategy or Confidential Information Regarding the Auction) to any other party; or (iii) that would provide instructions, direct financial incentives, or other inducements for the bidder to act in a way determined by the counterparty in the agreement and/or in concert with any other bidder in the auction. Notwithstanding the above, a bidder may, during negotiations prior to the auction for contractual arrangements as a source for SSO supply were the bidder to be a winner at the auction, discuss with the counterparty to such arrangements the nature of the standard products to be purchased, the volume, and the price at which the bidder is willing to buy these products, so long as such arrangements do not result in violation of (i), (ii) or (iii) above. A bidder that is unable to make this certification must disclose the contractual terms that prevent the bidder from making the certification, identify the counterparty, and if applicable, the party to whom information disclosure must be made under the terms of the contract.

X.4.7. Each bidder must certify that it does not have any knowledge of Confidential Information relative to the bidding strategy of any other Qualified Bidder. A bidder that is unable to make this certification must name the other Qualified Bidder(s) and the nature of the Confidential Information.

X.4.8. Each bidder must certify that it will not disclose Confidential Information Relative to its Bidding Strategy except to: (i) bidders that were explicitly named in the Part 1 Application as parties with which it has entered into a bidding agreement, joint venture for the purpose of bidding in the auction, bidding consortium, or other arrangement pertaining to bidding in the auction; (ii) bidders with which it is associated as disclosed in the Part 2 Application; (iii) its Advisors; and (iv) its financial institution. A bidder that is unable to

make this certification must identify the entity receiving such information and must explain the reasons for such disclosure.

X.4.9. Each bidder must certify that, other than entities with which it is affiliated and other than bidders with which it has entered into a bidding agreement, or joint venture for purposes of the auction, bidding consortium, or other arrangement pertaining to the auction, no party has agreed to defray any of the costs of participating in the auction, including the cost of preparing the bid, the cost of any financial guarantees, or any other participation cost. A bidder that is unable to make this certification must identify the party defraying the participation cost and the bidder must provide an explanation.

X.4.10. Each bidder must agree that the submission of any bid in the auction creates a binding and irrevocable offer to provide SSO Supply under the terms set forth in the Master SSO Supply Agreement and that a binding and enforceable contract to provide SSO Supply with respect to the number of tranches that the bidder wins in the auction shall arise under the Master SSO Supply Agreement. The bidder is reminded that AEP Ohio can collect on the pre-bid letter of credit or AEP Ohio can draw upon cash posted upon failure to execute the Master SSO Supply Agreement within three (3) days of the acceptance of the auction results by the Commission.

X.4.11. The certifications in the following paragraphs apply from the date on which the certifications are made.

X.4.12. Each bidder must certify that if the bidder is registered to participate in the auction, the bidder will not disclose at any time information regarding the initial eligibility across all bidders in the auction or the list of Registered Bidders, including but not limited to the number of Registered Bidders, the identity of any one of the Registered Bidders (including the bidder itself), or the fact that an entity has not been registered for participation in the auction. A bidder that is unable to make this certification must identify the party receiving such information and must explain the reasons for such disclosure.

X.4.13. Each bidder must certify that the bidder will not disclose any Confidential Information regarding the auction to any party except to its Advisors and to bidders with which the bidder is associated as disclosed in the Part 2 Application. A bidder that is unable to make this certification must identify the entity receiving such information and must explain the reasons for such disclosure.

X.4.14. Each bidder must certify that the bidder will destroy all documents, written or electronic, provided by the Auction Manager that contain Confidential Information Regarding the Auction within five (5) days of the decision on auction results by the Commission, or earlier if so instructed by the Auction Manager. A bidder that is unable to make this certification must provide an explanation.

X.5. Miscellaneous

X.5.1. The Commission may publicly release the auction clearing price for each product and the names of the winning bidders in the auction. The Commission may choose to release additional information.

X.5.2. After acceptance of the results, a winning bidder itself may release information regarding the number of tranches it has won, and a non-winning bidder itself may release information only regarding the fact that it participated in the auction. The winning bidders and the non-winning bidders otherwise continue to be bound by their certifications as described previously. In particular, no winning bidder and no non-winning bidder itself can reveal the auction clearing prior to release of such information by the Commission.

ARTICLE XI. Miscellaneous

XI.1. Warranty on Information

XI.1.1. The information provided for the auction, including but not limited to information provided on the CBP website, has been prepared to assist bidders in evaluating the auction process. It does not purport to contain all the information that may be relevant to a bidder in satisfying its due diligence efforts. Neither AEP Ohio nor the Auction Manager make any representation or warranty, expressed or implied, as to the accuracy or completeness of the information, and shall not, either individually or as a corporation, be liable for any representation expressed or implied in the auction process or any omissions from the auction process, or any information provided to a bidder by any other source. A bidder should check the CBP website frequently to ensure it has the latest documentation and information. Neither AEP Ohio, nor the Auction Manager, nor any of their representatives, shall be liable to a bidder or any of its representatives for any consequences relating to or arising from the bidder's use of information.

XI.2. Hold Harmless

XI.2.1. Bidder shall hold AEP Ohio and the Auction Manager harmless of and from all damages and costs, including but not limited to legal costs, in connection with all claims, expenses, losses, proceedings or investigations that arise in connection with the auction process or the award of a bid pursuant to the auction process.

XI.3. Bid Submissions Become AEP Ohio's Property

XI.3.1. All bids submitted by bidders participating in the auction will become the exclusive property of AEP Ohio upon conclusion of the auction.

XI.4. Bidder's Acceptance

XI.4.1. Through its participation in the auction process, a bidder acknowledges and accepts all the terms, conditions and requirements of the auction process and the Master SSO Supply Agreement.

XI.5. Permits, Licenses, Compliance with the Law and Regulatory Approvals

XI.5.1. Bidders shall obtain all licenses and permits and status that may be required by any governmental body, agency or organization necessary to conduct business or to perform hereunder. Bidders' subcontractors, employees, agents and representatives of each in performance hereunder shall comply with all applicable governmental laws, ordinances, rules, regulations, orders and all other governmental requirements.

CERTIFICATE OF SERVICE

In accordance with Rule 4901-1-05, Ohio Administrative Code, the PUCO's e-filing system will electronically serve notice of the filing of this document upon the following parties. In addition, I hereby certify that a service copy of the foregoing *Ohio Power Company's Direct Testimony of David B. Weiss* was sent by, or on behalf of, the undersigned counsel to the following parties of record this 23rd day of November 2016, via electronic transmission.

/s/ Steven T. Nourse
Steven T. Nourse

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This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

11/23/2016 2:04:00 PM

in

Case No(s). 16-1852-EL-SSO, 16-1853-EL-AAM

Summary: Testimony - Direct Testimony of David B. Weiss in Support of AEP Ohio's Amended Electric Security Plan electronically filed by Mr. Steven T Nourse on behalf of Ohio Power Company