

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of)
Ohio Power Company for Authority to) Case No. 13-2385-EL-SSO
Establish a Standard Service Offer)
Pursuant to §4928.143, Revised Code,)
in the Form of an Electric Security Plan)

In the Matter of the Application of)
Ohio Power Company for Approval of) Case No. 13-2386-EL-AAM
Certain Accounting Authority)

OHIO POWER COMPANY'S
ELECTRIC SECURITY PLAN

Testimony of Company Witness LaCasse

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DIRECT TESTIMONY OF
DR. CHANTALE LACASSE
ON BEHALF OF
OHIO POWER COMPANY

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CHANTALE LACASSE

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ON BEHALF OF
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1 **PERSONAL DATA**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Chantale LaCasse. My business address is 1255 23rd St NW,
4 Washington, DC, 20037.

5 **Q. PLEASE INDICATE BY WHOM YOU ARE EMPLOYED AND IN WHAT**
6 **CAPACITY.**

7 A. I am a Senior Vice President with NERA Economic Consulting (“NERA”). I also
8 serve as Chair of NERA’s Energy, Environment, and Network Industries Practice.

9
10 **BUSINESS EXPERIENCE**

11 **Q. PLEASE BRIEFLY DESCRIBE YOUR EDUCATIONAL BACKGROUND**
12 **AND BUSINESS EXPERIENCE.**

13 A. I received a Bachelor of Social Science Degree in Economics from the University of
14 Ottawa (Canada) in 1983 and a Bachelor of Arts Degree in Mathematics also from the
15 University of Ottawa in 1984. I received a Master of Arts Degree in Economics in
16 1986 and a Ph.D. in Economics in 1991 from the University of Western Ontario
17 (Canada).

18 Before joining NERA in 2001, I held various full-time academic positions in
19 Canada where I taught economics to graduate and undergraduate students, and

1 conducted original research on competitive bidding processes and other issues in
2 economic policy. My consulting experience at NERA has principally consisted of
3 designing and implementing competitive bidding processes for the procurement of
4 default service for electric utilities. I provide advice regarding the detailed auction
5 rules, design of the bidding procedure, and I have served as Auction Manager.

6 In particular, since its inception in 2002, I have been the Auction Manager for
7 the Basic Generation Service (“BGS”) Auction Process in New Jersey on behalf of
8 the four New Jersey Electric Distribution Companies, Atlantic City Electric
9 Company, Jersey Central Power & Light, Public Service Electric and Gas, and
10 Rockland Electric Company. This Auction Process is for the purchase of electric
11 supply for all default customers of the state of New Jersey. I was part of the team that
12 originally designed all elements of the Auction Process, including the choice of a
13 clock auction as the auction format and the detailed rules for the auction, the
14 association and confidential information rules to ensure the independence of bidders,
15 as well as the qualification procedures. Every year since its inception, I have
16 responded to bidder questions; maintained a website to provide information to bidders
17 including final solicitation documents, rate design tools and data necessary to prepare
18 bids; prepared and led training session for bidders; led the process to qualify bidders;
19 administered the bidding procedures, and finally provided a report to the New Jersey
20 Board of Public Utilities (“Board”) concerning the central aspects and results of the
21 Auction Process. After each auction, I have advised the EDCs concerning potential
22 improvements to the Auction Process. The BGS Auction Process has been successful

1 at attracting robust participation and each year the Board has approved the auction
2 results.

3 I have also acted as Auction Manager or been part of the team that managed the
4 competitive bidding processes to procure supply for the default service customers of
5 Commonwealth Edison (2006 to present), PECO Energy Company (2009 to present),
6 PPL Electric Utilities Corporation (2007 to present), the Pennsylvania FirstEnergy
7 Companies (2008 to 2012), and the Ohio FirstEnergy Companies (2004-2005). I am
8 familiar with the auctions that the FirstEnergy Ohio Electric Distribution Utilities
9 (“FirstEnergy EDUs”) and that Duke Energy Ohio, Inc. (“Duke Energy Ohio”)
10 currently conduct to procure full requirements supply for Standard Service Offer
11 (“SSO”) customers under their Electric Security Plan (“ESP”). I am familiar with the
12 auction process filed by Dayton Power and Light Company (“DP&L”) in the context
13 of their ESP that was recently approved by the Public Utilities Commission of Ohio
14 (“Commission”). Under DP&L’s ESP, generation rates will be fully set through a
15 competitive bidding process beginning in June 2017. My recent engagements,
16 including those for the design and implementation of competitive bidding processes
17 for the procurement of supply for default service customers, are detailed further in my
18 curriculum vita attached as Exhibit CL-1.

19 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY AS A WITNESS**
20 **BEFORE A REGULATORY COMMISSION?**

21 A. Yes. I have testified or submitted testimony before regulatory commissions in the
22 states of Illinois, New Jersey, Pennsylvania, Texas, and before the Federal Energy
23 Regulatory Commission (“FERC”). Additionally, I have submitted testimony before

1 the Public Utilities Commission of Ohio on behalf of Columbus Southern Power
2 Company (“CSP”) and Ohio Power Company (“OPCo”), referred to collectively as
3 “the Company” or “AEP Ohio”, in Case No. 08-917-EL-SSO, Case No. 08-918-EL-
4 SSO, Case No. 11-346-EL-SSO, Case No. 11-348-EL-SSO and Case No. 12-3254-
5 EL-UNC.

6

7 **PURPOSE OF TESTIMONY**

8 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

9 A. AEP Ohio has retained NERA to assist in the design of the Competitive Bidding
10 Process (“CBP”) and to administer the first auction under AEP Ohio’s CBP. This
11 CBP is to procure full requirements supply for its SSO customers. My testimony
12 describes the elements of the CBP and evaluates how the proposed elements of the
13 CBP are consistent with Ohio law.

14 **Q. WHAT EXHIBITS ARE YOU SPONSORING IN THIS PROCEEDING?**

15 A. I am sponsoring the following exhibits:

- 16 • Exhibit CL-1 (Curriculum Vita)
- 17 • Exhibit CL-2 (Master SSO Supply Agreement)
- 18 • Exhibit CL-3 (CBP Rules)
- 19 • Exhibit CL-4 (Glossary)
- 20 • Exhibit CL-5 (Communications Protocols)
- 21 • Exhibit CL-6 (Alternate Guaranty Process)
- 22 • Exhibit CL-7 (Part 1 Application)

- 1 • Exhibit CL-8 (Part 2 Application)
- 2 • Exhibit CL-9 (Associated Bidder Protocols)
- 3 • Exhibit CL-10 (CBP Schedule and Products Procured)

4

5 **OBJECTIVES AND ELEMENTS OF THE CBP**

6 **Q. DOES AEP OHIO'S APPLICATION PROVIDE ALL THE SUBSTANTIVE**
7 **DETAILS OF THE CBP THAT IT IS PROPOSING IN THIS PROCEEDING?**

8 A. Yes. My testimony describes all the key elements of the CBP. Furthermore, the
9 main CBP documents that will be provided to bidders are attached to my testimony.
10 My testimony explains what each such document contains.

11 **Q. IN WHAT ROLE WAS NERA RETAINED?**

12 A. NERA was retained to assist in the design of the CBP as well as to administer the first
13 auction under AEP Ohio's CBP.

14 **Q. WAS THE DESIGN OF THE CBP GUIDED BY OTHER SUCCESSFUL**
15 **COMPETITIVE BIDDING PROCESSES?**

16 A. Yes. I looked specifically to Duke Energy Ohio's CBP, which the Commission
17 referred to specifically in its Opinion and Order dated August 8, 2012 in Case No. 11-
18 346-EL-SSO and Case No. 11-348-EL-SSO. Furthermore, as I testified above, I have
19 direct experience designing and managing a number of competitive bidding
20 processes, including the New Jersey BGS Auction Process. The BGS Auction
21 Process was the first to use a descending clock auction format for procuring supply
22 for SSO-type customers and it shares many features with the Duke Energy Ohio CBP.

1 **Q. WHAT IS YOUR UNDERSTANDING OF THE OBJECTIVES OF THE CBP**
2 **UNDER OHIO LAW, SPECIFICALLY SECTION 4928.142 OF THE**
3 **REVISED CODE?**

4 A. The CBP described in Section 4928.142, Revised Code, which applies to a Market
5 Rate Offer:

- 6 • must provide for an open, fair, and transparent competitive solicitation;
- 7 • must provide for clear product definition;
- 8 • must provide for an independent third party to design the solicitation and
9 administer the bidding;
- 10 • must provide for standardized bid evaluation criteria and evaluation of the
11 submitted bids prior to the selection of the least-cost bid winner or winners; and
- 12 • must not prohibit the participation of any one generation supplier.

13 I will use these requirements as the main criteria for discussion. I will also consider
14 that, as for any bidding process, the CBP should aim to maximize participation as
15 well as aim to establish efficient, market-reflective prices, which will generally
16 contribute to efficient retail markets.

17 **Q. WHAT ARE THE KEY ELEMENTS OF A COMPETITIVE BIDDING**
18 **PROCESS?**

19 A. A competitive bidding process has a number of key elements that work together to
20 ensure its success in meeting its objectives. These elements can be briefly
21 summarized as follows.

- 22 1. **Product Design.** The product design fully describes what is being procured at
23 the auction. It includes a description of the obligations of the supplier upon

1 winning, the allocation of risks to the supplier, the terms of supply, the
2 customers or load being supplied, etc. Most aspects of the product design are
3 ultimately fully described in the supplier contract. The supplier contract in
4 this case is the Master SSO Supply Agreement, attached as Exhibit CL-2.

5 2. **Auction Format.** The auction format is the way in which bids will be
6 solicited and accepted, the way in which bids will be processed, the way that
7 clearing prices will be determined, and the way in which winners will emerge.
8 The auction format is fully described in the Bidding Rules for the Auctions
9 Under the Competitive Bidding Process of Ohio Power Company (“CBP
10 Rules”), attached as Exhibit CL-3. The Glossary, attached as Exhibit CL-4,
11 provides a reference for the terms in the CBP Rules.

12 3. **Bidder Interface.** The bidder interface is the way in which bidders are
13 provided with information about the auction process, the way in which data is
14 disseminated, and the way in which the auction opportunity is promoted. The
15 CBP Rules (Exhibit CL-3), as well as the Communications Protocols attached
16 as Exhibit CL-5, more fully describe the bidder interface.

17 4. **Communications.** This element describes communications among AEP
18 Ohio, the Commission and Commission Staff, the Commission Consultant (if
19 one is retained), and the Auction Manager. This element also describes
20 procedures to ensure that the confidentiality of information will be protected.
21 This element is fully explained in the Communications Protocols (Exhibit CL-
22 5).

- 1 5. **Qualification Process.** These are the procedures and requirements for
2 qualifying bidders to participate in the auction. These are generally described
3 in the CBP Rules (Exhibit CL-3) and more precisely specified in the Alternate
4 Guaranty Process attached as Exhibit CL-6, the Part 1 Application attached as
5 Exhibit CL-7, and the Part 2 Application attached as Exhibit CL-8.
- 6 6. **Consideration of Results.** These are the procedures following the
7 conclusion of the auction leading to the Commission’s consideration of the
8 auction results. Further details regarding these procedures are available in the
9 CBP Rules (Exhibit CL-3).
- 10 7. **Competitive Safeguards.** These are the procedures and features of the
11 auction process that promote competition at the auction. Further details
12 regarding these procedures and features are available in the CBP Rules
13 (Exhibit CL-3) as well as in the Associated Bidder Protocols, attached as
14 Exhibit CL-9.
- 15 8. **Contingency Plan.** This describes the manner in which AEP Ohio would
16 procure replacement supply in the cases that not all planned supply is
17 procured through an auction or that a supplier defaults. The contingency plan
18 is described in the CBP Rules (Exhibit CL-3).
- 19 9. **Rate Design.** The rate design parameters specify how the auction results will
20 be translated into retail rates. The testimony of AEP Ohio Witness David
21 Roush describes the details of the rate design for the proposed CBP.

1 **Q. HOW IS THE REMAINDER OF YOUR TESTIMONY ORGANIZED?**

2 A. In the remainder of my testimony, I present each element of the CBP in more detail
3 and I explain how each element of the CBP is consistent with the objectives described
4 above.

5

6 **PRODUCT DESIGN**

7 **Q. PLEASE DESCRIBE THE FIRST KEY ELEMENT OF THE CBP, WHICH IS**
8 **THE PRODUCT DESIGN.**

9 A. Through the CBP, AEP Ohio proposes to procure full requirements service for its
10 SSO customers. AEP will transfer load responsibility to the winners at the auction,
11 which we call the “SSO Suppliers”. The SSO Suppliers will be providing all
12 components of SSO Supply, including energy, capacity, ancillary services, and
13 certain transmission services. AEP Ohio belongs to PJM, a regional transmission
14 organization approved by the FERC, and thus SSO Suppliers will also be providing
15 any other service as required by PJM. SSO Suppliers will be the Load Serving
16 Entities in PJM. SSO Suppliers will be required to meet PJM credit requirements and
17 be a party to all agreements necessary to be a Load Serving Entity, such as the
18 Reliability Assurance Agreement. SSO Suppliers will take and manage all risks from
19 SSO Supply. These risks include, for example, price and volume risks from weather,
20 distributed generation, and migration of customers to or from Competitive Retail
21 Electric Service (“CRES”) Suppliers. SSO Suppliers would be paid for each MWh of
22 SSO Supply they deliver as a function of the auction clearing price. The obligations
23 of SSO Suppliers are specified in more detail in the Master SSO Supply Agreement.

1 The Master SSO Supply Agreement will be standard and non-negotiable so that all
2 SSO Suppliers would be executing exactly the same Master SSO Supply Agreement
3 on the same schedule.

4 **Q. DOES PJM HAVE A MARKET MONITORING UNIT RESPONSIBLE FOR**
5 **MONITORING THE MARKET AND MITIGATING CONDUCT**
6 **ASSOCIATED WITH THE EXERCISE OF MARKET POWER?**

7 A. Yes. Market monitoring in PJM is provided by Monitoring Analytics.

8 **Q. HOW DOES THIS PRODUCT DESIGN CONTRIBUTE TO THE**
9 **OBJECTIVES OF THE CBP?**

10 A. The full requirements product contributes to the goal of maximizing participation in
11 the CBP. The full requirements product expands the base of potential competitors to
12 include not only generation portfolio owners but also financial players, marketers, or
13 traders that do not have an asset base in PJM. All of these competitive entities are
14 able to use specialized skills to manage and price the risks associated with SSO
15 Supply. Entities that do not have an asset base in PJM can assemble wholesale
16 portfolios and compete in the auction. In particular, it does not prohibit the
17 participation of any one generation supplier.

18 **Q. HOW DOES AEP OHIO PROPOSE TO DEFINE EACH SSO SUPPLIER'S**
19 **RESPONSIBILITY AND HOW DOES THIS DEFINITION FURTHER THE**
20 **OBJECTIVES OF THE CBP?**

21 A. AEP Ohio proposes to define each SSO Supplier's responsibility on the basis of
22 "tranches". AEP Ohio will divide the SSO Load into a number of tranches, each
23 representing a fixed percentage of the SSO Load requirements to be served by SSO

1 Suppliers. It is expected that there will be one hundred tranches each representing
2 1% of SSO Load although the Auction Manager, in agreement with Commission
3 Staff, can increase the tranche size if this is necessary to maintain bidder interest in
4 the face of customer migration. Each SSO Supplier is then responsible for a given
5 number of tranches, which is equivalent to a given percentage of the requirements of
6 SSO customers.

7 Tranches of a fixed size will allow multiple bidders to compete to provide
8 service thereby promoting participation and a competitive solicitation. The tranche
9 size will be fixed and announced to bidders in advance of the auction, thereby making
10 the product definition clear and unambiguous. The ability of the Auction Manager to
11 increase the tranche size, in agreement with Commission Staff, is an important lever
12 to maintain and promote participation in the face of increasing customer migration.
13 Customer migration results in less load in a 1% tranche, which may lessen bidder
14 interest; in such circumstances, the Auction Manager has the ability to increase the
15 tranche size with the agreement of Commission Staff, to 1.25% for example, which
16 would increase the load to be served and be instrumental in sustaining bidder interest.

17 **Q. WITHIN THE PRODUCT DESIGN, WHAT IS AEP OHIO PROPOSING FOR**
18 **THE TERM STRUCTURE OF THE SUPPLY AND THE FREQUENCY OF**
19 **AUCTIONS?**

20 A. AEP Ohio proposes to procure approximately two-thirds of SSO Supply on a twelve-
21 month term basis and to procure the remainder on a twenty-four month term basis.
22 Each contract will be synchronized to the PJM planning year, starting on June 1 and
23 ending on May 31. In advance of the start of the supply period on June 1 of each

1 year, AEP Ohio will hold two auctions, one in September and another in March.
2 Each auction will procure the same products at two different points in time. The CBP
3 schedule for the products to be procured is illustrated in Exhibit CL-10. By
4 “product”, I mean SSO Supply for a given supply period.

5 The term structure is easy to understand and contributes to the CBP having a
6 clear product definition. As bidders may differ in their preference for longer or
7 shorter term contracts, offering a mix of twelve-month and twenty-four month
8 products has the potential to attract greater participation and to contribute to the
9 objective of maximizing participation in the CBP.

10 The proposal to use two auctions per year is the same as the current structure
11 used by other Ohio EDUs. Holding more frequent auctions has the benefit of
12 reducing exposure for customers to the market conditions at any one point in time.
13 However, holding more frequent auctions also has costs. It increases the
14 administrative cost of procuring SSO Supply for customers. Also, because holding
15 more frequent auctions reduces the amount of load available for bid in each auction, it
16 has the potential to reduce bidder interest. Holding two auctions per year in my
17 opinion strikes an appropriate balance between the risk of exposure to market
18 conditions on the one hand, and the risk of decreasing bidder interest and increasing
19 administrative cost on the other.

20 **Q. WHICH CUSTOMERS ARE INCLUDED IN SSO LOAD?**

21 A. SSO customers are those who take retail generation service from AEP Ohio,
22 including PIPP customers (who take service under AEP Ohio’s percentage of income

1 payment plan) and customers that have reasonable arrangements under Section
2 4905.31, Revised Code.

3 **Q. WHAT DOCUMENT PROVIDES THE DETAILS OF THE SSO SUPPLIERS’**
4 **RIGHTS AND OBLIGATIONS?**

5 A. The rights and obligations of SSO Suppliers are provided in the Master SSO Supply
6 Agreement, which is attached as Exhibit CL-2. This is a standard contract and each
7 bidder is required to accept its terms prior to bidding in the auction. There are no
8 negotiations between AEP Ohio and the SSO Suppliers over the terms of the contract.
9 The Master SSO Supply Agreement, among other terms:

- 10 • sets out the SSO Supplier’s obligations to provide SSO Supply and the SSO
11 Supplier’s other obligations;
- 12 • specifies the performance assurance security that the SSO Supplier will be
13 required to post to ensure that SSO customers are adequately protected in
14 case of supplier default; and
- 15 • defines events of default, including failure of the SSO Supplier to comply
16 with its obligations or failure of a representation or warranty to remain true
17 for the term of the Master SSO Supply Agreement.

18 Under the Master SSO Supply Agreement, SSO Suppliers for a product won at a
19 particular auction will be paid, for each MWh of load served, the clearing price for
20 that product in that auction times a seasonal factor. The seasonal factor is expected to
21 be greater than one in the summer (June 1 to September 30) to reflect higher summer
22 costs and less than one in the winter (October 1 to May 31) to reflect lower winter
23 costs.

1 The Master SSO Supply Agreement contributes to the requirement of a clear
2 product definition. The Master SSO Supply Agreement sets out in detail the
3 responsibilities of SSO Suppliers and this is supported by a sample PJM invoice
4 provided as an attachment. The fact that all bidders must accept the terms of the
5 Master SSO Supply Agreement without modifications and that bidders bid to provide
6 supply under exactly the same contractual terms provides for a fair competitive
7 solicitation.

8 **Q. IS THE MASTER SSO SUPPLY AGREEMENT SIMILAR TO THE FULL**
9 **REQUIREMENTS CONTRACTS USED BY OTHER OHIO EDUS?**

10 A. The provisions of the Master SSO Supply Agreement follow closely those used by
11 Duke Energy Ohio in its CBP.

12

13 **AUCTION FORMAT**

14 **Q. HOW MANY AUCTIONS IN TOTAL WILL BE HELD UNDER THE CBP?**

15 A. As illustrated in Exhibit CL-10, AEP Ohio proposes to hold six (6) auctions under the
16 CBP of ESP III. Each auction would be conducted using a clock auction format,
17 which proceeds in a series of rounds. The first two (2) auctions will have two
18 products, namely a 12-month product and a 24-month product. The remaining four
19 (4) auctions will feature a single product, namely a 12-month product, so that 100%
20 of SSO Supply terminates at the end of the ESP III period.

21 **Q. PLEASE DESCRIBE THE SECOND KEY ELEMENT OF THE CBP, WHICH**
22 **IS THE AUCTION FORMAT, IN THE CASE OF A SINGLE PRODUCT**
23 **AUCTION.**

1 A. The description of the auction format below follows the rules filed with the
2 Commission under AEP Ohio’s CBP Application (Case No. 12-3254-EL-UNC) for
3 ESP II.

4 In the bidding phase of a round, each bidder will state the number of tranches
5 that it wants to supply at the price announced by the Auction Manager. If there are
6 more tranches bid than there are tranches available in a round, the Auction Manager
7 reduces the price. The Auction Manager then announces the new price (the “going
8 price”), along with an indication of excess supply, before the bidding phase of the
9 next round opens. In response to the new price, each bidder can either maintain the
10 number of tranches that it bid in the previous round, or reduce the number of tranches
11 that it is willing to offer. A bidder can never increase the number of tranches that it
12 bids compared to the previous round. If a bidder reduces the number of tranches that
13 it offers to supply at the new price, the bidder must provide a best and last offer for
14 the tranches that it is no longer bidding to supply at the new price. This best and last
15 offer, the “exit price”, is a price that is higher than the new price but no higher than
16 the price of the previous round.

17 The auction continues and the price ticks down until the number of tranches
18 bid falls to the point where it equals the number of tranches available. When the
19 auction ends, the bidders holding tranches in the final round are the winners. All
20 winners receive the same price. This price is either the going price for the last round
21 or the lowest exit price at which the number of tranches bid is sufficient for the
22 number of tranches available. The detailed procedures are provided as Article VI in
23 the CBP Rules attached as Exhibit CL-3.

1 **Q. HOW DO THE BIDDING MECHANICS CHANGE IN THE CASE OF A**
2 **MULTIPLE PRODUCT AUCTION?**

3 A. In the case of multiple products, the auction procures all products simultaneously. In
4 addition to the bidding mechanics I described in the case of a single product, bidders
5 are generally able to switch their bids from one product to another, meaning that a
6 bidder reduces its number of tranches bid on one product to increase the number of
7 tranches it bids on the other. The price of a particular product will respond to the
8 excess supply conditions for that product, with the price decreasing more from one
9 round to the next if there is more excess supply on that product. This implies that the
10 prices of the products at auction do not go down in lock step but rather are driven by
11 the bidding patterns of bidders and the way in which they switch their bids from one
12 product to another.

13 The auction rules are designed to ensure that, if at any time during the auction
14 a product is fully subscribed (that is, the number of tranches bid equals or exceeds the
15 number of tranches needed), then the product will also be fully subscribed at the end
16 of the auction. The auction generally ends when the total number of tranches bid
17 equals the number of tranches needed across all products. All winners receive the
18 same price for a given product. This price is the lowest price at which all tranches are
19 subscribed for that particular product. The detailed procedures are provided as
20 Article VII in the CBP Rules attached as Exhibit CL-3.

1 **Q. HOW DOES THIS AUCTION FORMAT CONTRIBUTE TO THE**
2 **OBJECTIVES OF THE CBP?**

3 A. The clock auction format provides for an open, fair and transparent bidding process
4 and as such will promote participation. The CBP Rules, attached as Exhibit CL-3,
5 provide the rules of the auction in detail. Bidders can clearly understand how the
6 bidding mechanics proceed, how the final auction prices are determined, and how
7 winning bidders emerge. The clock auction format treats all bidders exactly the same
8 and thus achieves a standardized bid evaluation criteria and evaluation of the
9 submitted bids. The winners that emerge from the clock auction are those willing to
10 bid at the lowest prices and are thus least-cost bid winners. Because the clock auction
11 does not advantage established suppliers, it can also serve to encourage smaller or
12 newer bidders to participate, serving to further promote participation in the auction.

13 The clock auction format is what is called an “open auction”. It is a multiple
14 round auction process during which bidders get market information at the end of each
15 round. Bidders can adjust their bids on this basis as the auction progresses, including
16 by switching their bids from one product to another. Compared to an RFP format in
17 which bidders submit a single bid and do not have the opportunity to adjust their bids
18 on the basis of market information, this kind of auction format decreases the
19 uncertainty faced by bidders. The clock auction is thus an effective means of having
20 competition among bidders drive prices down to levels consistent with market
21 conditions. Furthermore, in the case of a multiple product auction, because all
22 products are procured simultaneously in a single bidding process, the auction format
23 favors the efficient allocation of the supply responsibility over these different

1 products and favors efficient prices. As bidders can observe relative prices and
2 switch their bids, those that can most efficiently supply a given product are able to
3 switch to that product and eventually to win tranches of that product.

4 **Q. IS THE AUCTION FORMAT BROADLY SIMILAR TO THE ONE USED BY**
5 **OTHER SUCCESSFUL CBPS?**

6 A. Yes. The auction format follows closely the auction format used in the New Jersey
7 BGS Auction Process, which has run successful statewide procurements since 2002.
8 The auction format is also broadly similar to the one used by other Ohio EDUs, but
9 slightly different choices have been made in the end-of-round procedures. In
10 particular:

- 11 • There is a single end-of-round procedure that applies in a number of different
12 circumstances;
- 13 • The possibility of an additional sealed-bid round is eliminated; and
- 14 • The determination of the final price is simplified.

15 While such choices are not expected to impact price materially, they do simplify the
16 auction rules. As such, these choices contribute to a transparent bidding process that
17 can be clearly understood by bidders, which could enhance participation.

18

19 **BIDDER INTERFACE**

20 **Q. PLEASE DESCRIBE THE THIRD KEY ELEMENT OF THE CBP, WHICH IS**
21 **THE BIDDER INTERFACE.**

22 A. It is the role of the Auction Manager to ensure the interface with bidders. The
23 Auction Manager will be the clearing house for all bidder inquiries, information

1 requests, and comments. The Auction Manager will provide timely and fair access to
2 information for all bidders by posting such information on a dedicated public website.
3 This website is already established at www.aepohiocbp.com. The Auction Manager
4 will promote and explain the auction opportunity to encourage participation and
5 competition in the auction.

6 **Q. WHAT ARE THE OBJECTIVES OF THE WAY IN WHICH THE BIDDER**
7 **INTERFACE WILL BE ORGANIZED?**

8 A. The bidder interface will be assured by the Auction Manager, which is an
9 independent third party who will also administer the bidding. The Auction Manager
10 aims for timely and fair access to information for all bidders. Having responsibility
11 for bidder inquiries and dissemination of information rest with a single independent
12 third party promotes the objective of an open, fair, and transparent competitive
13 solicitation. The promotion of the auction opportunity will aim to maximize
14 participation so that the auction format can deliver prices that are consistent with
15 market conditions. The information on the CBP website is provided to assist bidders
16 in preparing their bids. Bidders have access to the necessary data in the data room,
17 which they can use in their evaluation of each product. Bidders also have access to
18 all CBP documents, which provide all necessary details on the product definition, on
19 the bid evaluation criteria, and other details of the CBP important to bidders.

20 **Q. PLEASE DESCRIBE THE MANNER IN WHICH THE AUCTION**
21 **MANAGER WILL RESPOND TO BIDDER QUESTIONS AND COMMENTS.**

22 A. The Auction Manager will implement a Frequently Asked Question (“FAQ”) process
23 to respond to bidder questions and disseminate the information in those responses to

1 all bidders. Bidders will typically submit their questions regarding the auction
2 through a form on the CBP website. If a bidder contacts AEP Ohio instead, AEP
3 Ohio will direct the bidder to the CBP website or to the Auction Manager. The
4 Auction Manager will respond to each questioner individually by email. AEP Ohio
5 will have the opportunity to review each response and to contribute its expertise in
6 areas such as the Master SSO Supply Agreement and the data. However, the Auction
7 Manager will redact the identity of the bidder when providing draft responses to AEP
8 Ohio. The turn-around time for responding to questions would generally be expected
9 to be two business days. However, responses may take longer for a number of
10 reasons, including volume of questions or the research required for a particular
11 response. When that is the case, the Auction Manager advises the bidder of the
12 expected timeframe. Once a question is answered, the Auction Manager will post the
13 question and answer to the CBP website without revealing the identity of the
14 questioner.

15 **Q. PLEASE DESCRIBE THE DATA AND OTHER INFORMATION THAT**
16 **WILL BE PROVIDED TO BIDDERS.**

17 A. The Auction Manager has established a CBP website that contains a data room. All
18 data series will be posted to this data room. Bidders will have access to three years of
19 historical data, which will include:

- 20 • Historical hourly loads in aggregate and by group (residential, small
21 commercial and industrial, as well as large commercial and industrial);
- 22 • Customer counts by group;
- 23 • Switching statistics; and

- 1 • Information on municipal aggregation.

2 AEP Ohio will provide data to the Auction Manager and the Auction Manager will
3 post this data by the 20th of each month.

4 In addition to posting to the CBP website responses to bidder questions,
5 comments, and data, the Auction Manager will use the CBP website to provide all
6 bidders the documents and materials necessary for their participation in the auction.
7 The Auction Manager will post the Commission’s Decisions and Orders relevant to
8 the auction, the final CBP documents, all standard pre-bid security documents, a link
9 to the application website, Word and PDF versions of the application forms, as well
10 as links to other sites that may be of interest to bidders, such as the PJM website.

11 Bidders and other interested stakeholders are able to register to the CBP
12 website to receive announcements from the Auction Manager. Such announcements
13 provide information regarding new postings to the CBP website and also remind
14 bidders of approaching deadlines. The Auction Manager will send announcements
15 through email to all registrants to the CBP website and those same announcements
16 will also be posted to the CBP website.

17 **Q. PLEASE DESCRIBE HOW THE OPPORTUNITY TO PARTICIPATE IN**
18 **THE AUCTION WILL BE PROMOTED.**

19 A. In part, the auction opportunity is promoted by the fact that information about the
20 opportunity is provided on a public website and that all documents necessary for
21 participation are available. However, the Auction Manager will engage in more
22 focused efforts to promote and maximize participation. First, AEP Ohio and the
23 Auction Manager will place ads in the trade press to widely advertise the fact that an

1 auction for SSO Supply will be taking place and to communicate the deadline for
2 qualification. Such ads are targeted more specifically to entities that are not aware of
3 the CBP website and that may be new or unfamiliar with the auction process or with
4 the SSO Supply opportunity in Ohio. Second, the Auction Manager will contact
5 potential suppliers individually to inform them of the impending auction process and
6 to ensure that they are aware of the qualification deadline. To do so, the Auction
7 Manager will work from a wide list of potential suppliers based on a list of PJM
8 members and based on NERA's experience with such solicitations. Third, AEP Ohio
9 and the Auction Manager will conduct a webcast prior to each auction that will
10 explain in more detail the elements of the CBP, including a description of the
11 products up for bid, the rules of the auction, and the qualification process. The goal
12 of these information sessions is to efficiently inform bidders about the opportunity
13 and to prepare bidders for the qualification process. All materials from the webcast
14 will be posted to the CBP website. In keeping with the objective of an open, fair, and
15 transparent solicitation, all questions posed during the webcast and the responses
16 provided will be posted as FAQs to the CBP website.

17

18 **COMMUNICATIONS**

19 **Q. PLEASE EXPLAIN HOW COMMUNICATIONS AMONG THE PARTIES**
20 **INVOLVED IN THE CBP ARE ORGANIZED AND HOW THIS ELEMENT**
21 **FURTHERS THE OBJECTIVES OF THE CBP.**

22 A. The Communications Protocols (Exhibit CL-5) describe in detail the communications
23 among the parties involved in the CBP. The Communications Protocols detail the

1 processes to ensure that bidders have equal access to information about the auction,
2 which I described under the third element of the CBP, the bidder interface. The
3 Communications Protocols establish procedures for communications among the
4 parties to the CBP to ensure that confidential information generated by the auction
5 process is provided on an as-needed basis and is handled appropriately. Such
6 procedures are necessary to protect the competitive position of bidders and thus to
7 ensure that the CBP can attract maximum participation now and in future competitive
8 bidding processes. Attracting maximum participation is one of the driving forces for
9 the CBP to achieve efficient and market-reflective prices.

10 **Q. WHAT INFORMATION GENERATED BY THE AUCTION PROCESS IS**
11 **CONSIDERED CONFIDENTIAL?**

12 The Communications Protocols (Exhibit CL-5) define public information as
13 information to which everyone can have access because it is posted to the public
14 pages of the CBP website, posted to another publicly available website, or publicly
15 released in a manner consistent with the CBP Rules (Exhibit CL-3). All other
16 information is considered confidential. Confidential information would include
17 information such as the information provided on application forms, the list of
18 qualified bidders, auction methodologies, and bids by round. The Communications
19 Protocols lay out in detail the information to which each party involved in the CBP
20 has access.

21 **Q. WHAT IS THE TREATMENT OF CONFIDENTIAL INFORMATION**
22 **UNDER THE COMMUNICATIONS PROTOCOLS?**

1 A. Generally, confidential information is provided on an as-need-to-know basis to
2 designated individuals at AEP Ohio, at the Auction Manager, of Commission Staff or
3 the Commission Consultant. The designated individuals may have access to such
4 confidential information after they have been made aware of the Communications
5 Protocols, attached as Exhibit CL-5, and after they have signed an acknowledgement
6 and confidentiality agreement. The Auction Manager provides to each such
7 individual a list of all individuals who have access to confidential information so that
8 each individual knows with whom such information may be discussed.

9

10 **QUALIFICATION PROCESS**

11 **Q. PLEASE DESCRIBE GENERALLY THE FIFTH KEY ELEMENT OF THE**
12 **CBP, WHICH IS THE QUALIFICATION PROCESS, AND EXPLAIN HOW**
13 **THE QUALIFICATION PROCESS IS STRUCTURED TO MEET THE**
14 **OBJECTIVES.**

15 A. As mentioned above, as part of the qualification process, bidders must accept the
16 terms of a standard contract, the Master SSO Supply Agreement. Bidders must also
17 accept the CBP Rules, attached as Exhibit CL-3, which set out the bidding rules and
18 procedures for the CBP. The fact that bidders must all accept and submit to the same
19 contract terms and bidding rules promotes an open, fair, and transparent competitive
20 solicitation.

21 The qualification process sets out a number of requirements to ensure that,
22 should a bidder win at the auction, it will be able to perform under the terms of the
23 Master SSO Supply Agreement by the time the delivery period starts. These

1 requirements are applied on a pass or fail basis. The fact that all bidders must meet
2 these requirements ensures that the evaluation of bids will proceed on a standardized,
3 price-only basis. Furthermore, knowing that all bidders can satisfy the requirements
4 of the Master SSO Supply Agreement permits a quick evaluation and rapid execution
5 of supply contracts. Such rapid execution keeps option premiums to a minimum and
6 thus helps bidders to submit their best bids, producing prices that are consistent with
7 market.

8 The application process is in two parts. The list of bidders that have qualified
9 under the Part 1 Application process is provided to all such qualified bidders so that
10 each bidder can certify, in the Part 2 Application, that it has no relationship with
11 another bidder that could damage the competitiveness of the auction. This works
12 hand in hand with competitive safeguards that are described below to ensure the
13 competitiveness of the bidding process and also promotes the objective of
14 establishing market-reflective prices.

15 **Q. PLEASE DESCRIBE THE REQUIREMENTS OF THE PART 1**
16 **APPLICATION AND THE PART 2 APPLICATION.**

17 A. The Auction Manager will make available to bidders an online platform through
18 which bidders will provide the information required by the Part 1 Application and the
19 Part 2 Application. In the Part 1 Application, attached as Exhibit CL-7, a bidder
20 provides contact information for individuals who will interact with the Auction
21 Manager on behalf of the bidder, provides financial information for a
22 creditworthiness assessment of the entity on whose financial standing the bidder
23 relies (either the bidder itself or a guarantor), accepts the terms and conditions of the

1 CBP, and demonstrates that the bidder has the necessary qualifications to be able to
2 perform under the terms of the Master SSO Supply Agreement. A bidder that
3 submits a Part 1 Application receives, within a few days of the deadline for
4 applications, a notification from the Auction Manager on whether it may proceed to
5 the Part 2 Application. Should a bidder be successful, this notification includes a list
6 of all such qualified bidders, a creditworthiness assessment, as well as instructions on
7 the amount and type of pre-bid security that the bidder must submit with its Part 2
8 Application.

9 In the Part 2 Application, attached as Exhibit CL-8, a bidder submits an
10 indicative offer, which specifies a number of tranches at two distinct price points.
11 These price points, the maximum starting price and the minimum starting price, are
12 announced to bidders prior to qualification and represent the range for the prices of
13 round 1 of the auction. In the Part 2 Application, a bidder also makes certifications
14 that it is not associated with another bidder. It uses the list of qualified bidders
15 included with the notification received concerning its Part 1 Application for this
16 purpose. A bidder also undertakes not to disclose confidential information, either in
17 relation to its bidding strategy or confidential information generated by the auction
18 process to which it has access. Finally, a bidder provides pre-bid security in
19 proportion to its indicative offer at the maximum starting price. The amount and type
20 of the pre-bid security depend on the creditworthiness assessment made on the basis
21 of the financial and credit information provided by the bidder with its Part 1
22 Application. This assessment is transparently determined on the basis of the credit

1 rating and the tangible net worth, in accordance with the creditworthiness criteria in
2 the Master SSO Supply Agreement.

3 These requirements are standard across all bidders and explained in advance
4 promoting an open, fair, and transparent competitive solicitation.

5 **Q. ARE THERE SPECIFIC ASPECTS OF THE APPLICATION PROCESS**
6 **DESIGN THAT CONTRIBUTE TO THE OBJECTIVE OF MAXIMIZING**
7 **PARTICIPATION IN THE CBP?**

8 A. Yes, there are several aspects of the application process that further the objective of
9 maximizing participation in the CBP.

10 A bidder whose guarantor cannot use the Form of Guaranty appended to the
11 Master SSO Supply Agreement due to internal corporate policies may request
12 approval from AEP Ohio for the bidder's guarantor to use its own guaranty. This
13 alternate form of guaranty is required to provide protections for AEP Ohio and its
14 customers that are adequate and comparable to the Form of Guaranty used by other
15 bidders. The process is described in more detail in the Alternate Guaranty Process,
16 attached as Exhibit CL-6.

17 Also, foreign bidders or bidders with foreign guarantors may participate in the
18 CBP. To ensure that AEP Ohio and its customers have the same protections under
19 the terms of the Master SSO Supply Agreement from a foreign bidder or foreign
20 guarantor as it would from a domestic bidder or a domestic guarantor, such bidders
21 are asked to submit additional documentation to show that the terms of the Master
22 SSO Supply Agreement or the Form of Guaranty can be enforced in the jurisdiction
23 of the foreign bidder or the foreign guarantor.

1 Finally, during the period of evaluation of the Part 1 Applications, bidders will
2 have an opportunity to request modifications to the credit instruments that they will
3 use to submit pre-bid security with the Part 2 Application. This process is described
4 in more detail in the Part 1 Application, attached as Exhibit CL-7.

5 All these aspects of the application process serve to broaden the pool of
6 bidders, contributing to the objective of maximizing participation in the CBP.

7 **Q. WHAT GUIDES THE AUCTION MANAGER’S ACTIONS IF A BIDDER**
8 **CANNOT CERTIFY THAT IT IS NOT ASSOCIATED WITH ANOTHER**
9 **BIDDER?**

10 A. The Associated Bidder Protocols, attached as Exhibit CL-9, set out the requests for
11 information that the Auction Manager may make, as well as the possible remedies
12 and courses of action among which the Auction Manager, in consultation with
13 Commission Staff and the Commission Consultant, may choose. Whether such a
14 bidder can participate in the CBP and the conditions for such participation are
15 determined on a case-by-case basis. The protocols protect the integrity of the auction
16 process and form part of the safeguards to ensure a competitive solicitation that
17 promotes efficient and market-reflective prices.

18

19 **CONSIDERATION OF RESULTS**

20 **Q. PLEASE DESCRIBE WHAT HAPPENS AT THE CLOSE OF THE AUCTION.**

21 A. At the close of each auction, the Auction Manager prepares a report on the auction
22 results for the Commission and the Commission Consultant. This report:

- 1 • Presents the results of the auction, including, for each product, the number
- 2 of tranches won by each bidder and the auction clearing price;
- 3 • Reports on the conduct of the auction; and
- 4 • Includes a determination of whether the CBP Rules were followed.

5 The Auction Manager advises bidders once the Auction Manager has transmitted the
6 report to the Commission.

7 The Commission has a two business day window during which to review the
8 results. The Commission may reject the results based on the fact that one or more of
9 the following criteria are not met:

- 10 • The auction was oversubscribed on the basis of the indicative offers;
- 11 • There were four or more bidders; and
- 12 • No bidder won more than 80% of the tranches available at the start of the
13 auction.

14 Upon the Commission accepting the results, the Auction Manager notifies AEP Ohio
15 of the identity of the winning bidders, the number of tranches won by each winning
16 bidder, and the auction clearing prices. The Auction Manager also provides all
17 contact information that AEP Ohio needs for the execution of the contracts. AEP
18 Ohio then has three business days to execute the contracts with the winning suppliers.

19 **Q. PLEASE EXPLAIN HOW THESE POST-AUCTION PROCEDURES**
20 **SUPPORT THE OBJECTIVES OF THE CBP.**

21 A. The criteria for Commission action are clear and objective, contributing directly to an
22 open, fair, and transparent process. Such clarity to the basis of Commission action
23 reduces uncertainty for bidders and makes the approval criteria at least as objective (if

1 not more so) than the approval process of similar auctions in other states. In my
2 opinion, such certainty would be welcome by bidders and thus would further the
3 objective of maximizing participation in the CBP. Furthermore, the timeframe for the
4 review of results is short, which contributes to keeping option premiums to a
5 minimum. Thus, bidders can submit their best bids to promote prices that are
6 efficient and market-reflective.

7

8 **COMPETITIVE SAFEGUARDS**

9 **Q. PLEASE DESCRIBE THE SEVENTH KEY ELEMENT OF THE CBP,**
10 **WHICH IS THE SET OF COMPETITIVE SAFEGUARDS.**

11 A. A competitive bidding process should aim to maximize participation so that the
12 competition among bidders drives prices down to be consistent with the market.
13 There are several specific elements in the CBP that serve to further promote
14 competition in the auction.

15 One element that I have already discussed is the inclusion of rules on
16 associations and the handling of confidential information and protocols to handle
17 bidders that cannot straightforwardly follow these rules. Together they ensure that
18 bidders compete independently and vigorously against each other at the auction.

19 Another element is the inclusion of load caps, which limit the number of
20 tranches that a single bidder can bid and win in the auction. These load caps, in
21 addition to limiting the exposure of customers to any one winner at the auction, also
22 limit the influence that any one bidder can have on the auction results.

1 In addition, the Auction Manager may reduce the volume (i.e., the number of
2 tranches to be procured at the auction). The Auction Manager would only reduce the
3 volume if needed to ensure a competitive bidding environment that would drive
4 prices down to be consistent with market. In a multiple product auction, this
5 reduction in volume would be effected by reducing the number of tranches to be
6 procured from each product in proportion to its initial tranche target.

7 Finally, as discussed previously, the Commission considers specific criteria in
8 determining whether the results of an auction should be rejected, including the
9 number of bidders and whether the auction was oversubscribed on the basis of the
10 indicative offers received during the application process. The Commission may reject
11 the auction results if the number of bidders was insufficient (fewer than four) or if the
12 auction was not oversubscribed on the basis of the indicative offers. These criteria
13 also impose a competition standard to promote efficient and market-reflective prices.

14 **Q. BRIEFLY DESCRIBE THE PROCESS, AS IT RELATES TO ADJUSTING**
15 **THE VOLUME, THAT THE AUCTION MANAGER WOULD USE TO**
16 **PROMOTE A COMPETITIVE BIDDING ENVIRONMENT.**

17 A. The Auction Manager may reduce the volume prior to the auction on the basis of the
18 indicative offers received with the Part 2 Applications and the Auction Manager may
19 also reduce the volume during the auction. In both cases, reductions in volume are
20 effected as needed if there is insufficient supply to ensure competitive bidding. The
21 objective of such reductions is thus to establish market-reflective prices.

22 Following a reduction in volume, the Auction Manager will announce the new
23 volume to bidders. However, the criteria used to effect such a reduction, which are

1 determined prior to the auction, are not announced to bidders. Those criteria will
2 include conditions which, once they have been met as the auction progresses, mean
3 that the Auction Manager’s ability to reduce the volume will be eliminated from that
4 point on in the auction. Thus volume reductions are more likely in the earlier rounds
5 of the auction.

6 **Q. HOW WILL AEP OHIO PURCHASE SUPPLY FOR TRANCHES THAT ARE**
7 **NOT PROCURED THROUGH THE AUCTION?**

8 A. AEP Ohio will purchase any needed supply for tranches not purchased through the
9 auction pursuant to a contingency plan, which I describe in the next section.

10

11 **CONTINGENCY PLAN**

12 **Q. PLEASE DESCRIBE THE EIGHTH KEY ELEMENT OF THE CBP, WHICH**
13 **IS THE CONTINGENCY PLAN.**

14 A. The contingency plan proposes a way to acquire SSO Supply in the event that there
15 are unfilled tranches in an auction or that there is a supplier default. The contingency
16 plan generally calls for procuring any needed supply through the next available
17 auction under the CBP. If necessary while no supplier has responsibility for the
18 unfilled tranches, AEP Ohio will procure supply through PJM-administered markets.
19 The contingency plan is part of the CBP Rules (Exhibit CL-3). The contingency plan
20 not only provides the assurance of reliable supply to customers but also provides
21 clarity to bidders on their opportunities to bid to win tranches of SSO Supply, which
22 promotes participation in the auction.

1 **Q. WILL AEP OHIO USE A STEP-UP PROVISION INSTEAD OF ASSURING**
2 **SUPPLY FROM PJM-ADMINISTERED MARKETS IN CASE OF SUPPLIER**
3 **DEFAULT?**

4 A. No. A step-up provision generally means that defaulted tranches are offered to other
5 current SSO Suppliers at the clearing price of the original auction. While such a step-
6 up provision has the advantage of using established SSO Suppliers to assure supply, it
7 has other important disadvantages compared to assuring supply from PJM-
8 administered markets.

9 **Q. PLEASE EXPLAIN THE DISADVANTAGES OF A STEP-UP PROVISION**
10 **COMPARED TO ASSURING SUPPLY FROM PJM-ADMINISTERED**
11 **MARKETS IN CASE OF SUPPLIER DEFAULT.**

12 A. If a default occurs at a point when then-current market prices are lower than the
13 forward prices at the time of the auction, customers benefit from AEP Ohio
14 purchasing supply from PJM-administered markets and from re-bidding the tranches
15 in the next auction when such conditions persist. The replacement supply comes at a
16 lower cost than supply purchased in the original auction.

17 If, on the contrary, a default occurs at a point where then-current market
18 prices are higher than the forward prices at the time of the auction, SSO Suppliers
19 will not have the incentive to accept the step-up as they will have other opportunities
20 to sell elsewhere in the market at a higher price.

21 Thus, compared to assuring supply from PJM-administered markets, a step-up
22 provision may either lead to replacing supply at a higher cost (if then-current market
23 prices are lower than the forward prices at the time of the auction) or it may fail

1 because of lack of supplier interest (if then-current market prices are higher than the
2 forward prices at the time of the auction). For these reasons, AEP Ohio proposes to
3 make purchases in PJM-administered markets rather than use a step-up provision in
4 the case of supplier default.

5 **Q. WHAT APPROVALS IS AEP OHIO REQUESTING OF THE COMMISSION**
6 **WITH RESPECT TO THIS CONTINGENCY PLAN?**

7 A. AEP Ohio requests that costs, if any, incurred under the contingency plan be deemed
8 prudent and that the Commission agree to such costs being passed through AEP
9 Ohio's retail rates. The testimony of AEP Ohio Witness David Roush describes how
10 these costs, if any, are recovered through AEP Ohio's retail rates.

11

12 **RATE DESIGN**

13 **Q. PLEASE DESCRIBE THE NINTH KEY ELEMENT OF THE CBP, WHICH IS**
14 **THE RATE DESIGN.**

15 A. The rate design methodology is the manner in which auction clearing prices will be
16 converted into rates for SSO customers. The testimony of AEP Ohio Witness David
17 Roush describes this methodology.

18 The Commission-approved rate design methodology will be available to
19 bidders so that bidders can estimate the retail rates that would prevail for any prices
20 that result from the auction. This allows bidders to assess the potential for migration
21 and to provide their best bids at the auction.

22 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

23 A. Yes, it does.

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SENIOR VICE PRESIDENT AND PRACTICE CHAIR

Dr. Chantale LaCasse is Senior Vice President and Chair of NERA Economic Consulting's global Energy, Environment, and Network Industries Practice. Dr. Chantale LaCasse has over 15 years of consulting experience and over 20 years of professional experience in matters related to competition and to auctions. She provides advice to governments, regulatory agencies, and utilities on competition issues, auction design and implementation. She has testified as an expert witness principally before state regulatory commissions and regulatory agencies.

Dr. LaCasse has advised on all aspects of the design and implementation of competitive bidding processes including:

- Choice of auction formats
- Development of detailed rules and qualification procedures
- Features to promote competition and discourage collusion
- Evaluation of bids
- Processes for efficient implementation including online bidding
- Bid strategy to participants in auctions

Although an important part of her practice concentrates on electric power, Dr. LaCasse has experience working in a range of industries, notably other energy sectors and telecommunications. She has helped clients in a variety of areas, including capacity markets, renewable energy, solar generation projects, allocation of radio spectrum, and legal services.

She has worked with clients on the design and management of auctions in the United States, Canada, Spain, Ireland, Belgium, and Singapore.

Before joining NERA in 2001, Dr. LaCasse was an established academic in Canada; she trained PhD students in game theory and conducted research in antitrust, auctions, and other issues in economic policy. She has provided advice on competition issues and has held the TD MacDonald Chair at the Canadian Competition Bureau. She holds a PhD and MA in economics from the University of Western Ontario, as well as a BA in mathematics and a BSocSc in economics from the University of Ottawa.

Dr. LaCasse is fluent in English and French and has a good knowledge of Spanish.

Education

University of Western Ontario

Ph.D., Economics, 1991

M.A., Economics, 1986

University of Ottawa

B.A. Honors, Mathematics, 1984

B.Soc.Sc. Honors, Economics, 1983

Professional Experience

NERA Economic Consulting

2013- Chair of the Global Energy, Environment, and Network Industries Practice

2005- Senior Vice President

Provide advice on competitive bidding processes, auctions, procurement, market design, regulatory issues, and antitrust matters.

2003-2005 Vice President

2001-2003 Senior Consultant

Member of team that advised energy market participants on market design, regulatory issues, and antitrust matters.

University of Alberta, Department of Economics

1998-2000 Associate Professor

Competition Bureau, Industry Canada

1997-1998 T.D. MacDonald Chair of Industrial Economics

Universitat Autònoma de Barcelona, Departament d'Economia i d'Història Econòmica

1997 Visiting Professor

University of Toronto, Institute for Policy Analysis

1996-1997 Visiting Professor

University of Ottawa, Department of Economics

1998 Associate Professor

1991-1998 Assistant Professor

1990-1991 Lecturer

Brock University, Department of Economics

1989-1990 Lecturer

Honors and Professional Activities

John Vanderkamp Prize for the best article in *Canadian Public Policy/Analyse de politiques* for 2000 (for the article with Vicky Barham and Rose Anne Devlin, “Are the New Child-Support Guidelines ‘Adequate’ or ‘Reasonable’?” Vol. XXVI, No. 1)

Named T.D. MacDonald Chair of Industrial Economics at the Competition Bureau, Industry Canada, 1997-1998

Courses taught include Microeconomics, Law and Economics, Industrial Organization, Game Theory, Probability and Statistics

Professional Development for attorneys, *The Economics of Competition Policy*, Competition Bureau, March 1998

Referee, *L'actualité économique*, *Journal of Labor Economics*, *The American Economic Review*, *The Energy Journal*, *Canadian Journal of Economics*, *Dialogue*

Consulting Experience

Energy Auction Design and Implementation

Lead advisor to AEP Ohio regarding the design and implementation of a clock auction to procure electricity for their customers (2012-ongoing)

Lead advisor to the New Jersey Electric Distribution Companies (Public Service Electric and Gas, Jersey Central Power & Light, Atlantic City Electric Company, Rockland Electric Company) on the design and implementation of a clock auction to procure electric supply for their customers. Expert testimony before the New Jersey Board of Public Utilities (2001-ongoing)

Lead advisor to the four New Jersey Electric Distribution Companies for the implementation of an ascending clock auction for the sale of their Solar Renewable Energy Credits (2009-ongoing)

Lead advisor to Jersey Central Power & Light, Atlantic City Electric, and Rockland Electric (New Jersey) for the implementation of a sealed bid auction (the “SREC-Based Financing Program) for the procurement of solar generation through long-term contracts (2009-2011)

Lead advisor to Metropolitan Edison Company, Pennsylvania Electric Company, and Pennsylvania Power Company for the design and implementation of descending clock auctions to procure electric supply for their customers in Pennsylvania; expert testimony for the design of the auction before the Pennsylvania Public Utility Commission (2008-2012)

Support for PECO Energy Company (Pennsylvania) for implementation of a sealed bid auction to procure electric supply for its customers; expert testimony for the design of the auction before the Pennsylvania Public Utility Commission (2008-ongoing)

Support for the PPL Electric Utilities (Pennsylvania) for implementation of sealed bid auctions to procure electric supply and renewable energy credits for its customers (2007-ongoing)

Lead advisor to the Illinois Power Agency for the implementation of a sealed bid auction for the procurement of renewable energy through long-term contracts (2010)

Support for the Illinois Power Agency for the procurement of supply toward the resource portfolio of the Commonwealth Edison. Implementation of a combinatorial auction to procure standard energy products over the short term. Implementation of a sealed bid auction to procure renewable energy credits with priorities set by law for energy from specific sources (2009, 2010, and 2011)

Lead advisor to Commonwealth Edison Company (Illinois) for the design and implementation of auctions to procure standard energy products and renewable energy products (2008)

Support for the Comisión Nacional de Energía (Spain) in the design and implementation of an auction for standard energy products (2007-2008).

Lead advisor to Commonwealth Edison Company and the Ameren Utilities (Illinois) for the design and implementation of a clock auction to procure electric supply for their customers. Expert testimony before the Illinois Commerce Commission on the design of the auction. (2005-2006).

Support for Metropolitan Edison Company, Pennsylvania Electric Company, and Pennsylvania Power Company in the implementation of a sealed bid auction for the procurement of electric supply for their customers (2005-2008)

Support for the FirstEnergy Ohio Utilities in the design and implementation of a clock auction to serve as a market test for the price of electric supply to their customers (2004, 2005)

Support to Acquirente Unico (Italy) on design of power auctions (2004)

Support to the Ontario Ministry of Energy (Canada) on the design and implementation of a sealed bid auction for their procurement of new generation capacity (2004)

Support to the Commission of Energy Regulation (Ireland) on the design of a competitive bidding process for the tender of additional generation capacity. Evaluation of bids. (2003-2004)

Lead advisor to Jersey Central Power & Light for the design and implementation of a tender to procure green energy for their residential customers (2003).

Other Auction Design and Implementation

Part of a team advising the Belgian Institute for Postal Services and Telecommunications on the implementation of 4G spectrum auctions (2013)

Part of team advising Singapore IDA on design and implementation of its 4G auction (2013).

Part of a team advising the Belgian Institute for Postal Services and Telecommunications on the design of the 4G spectrum auction (2012)

Part of a team advising the National Telecommunications Commission of Thailand (NTC) on the design and implementation of its 3G spectrum auction (2009-2010)

Lead advisor to the Legal Services Commission (UK) for the design of a Best Value Tendering system for criminal defense services (2007-2008)

Part of team advising Singapore IDA on design and implementation of its 3G and 2G electronic auctions (2001-2002).

Advised Industry Canada in preparation for their first spectrum auction (1999-2000)

As T.D. MacDonald Chair at the Competition Bureau, evaluated spectrum auction rules for Canada (1997-98).

Competition Policy and Market Design

Expert testimony on class certification in Canada (2012).

Advice to the New England Independent System Operator on rules for the market for generation capacity (2010-2011)

Advice to New York Independent System Operator on their design of a forward capacity market (2007-2008)

Advice to PJM Interconnection, New York Independent System Operator, and the New England Independent System Operator on the design of markets for generation capacity (2003-2004)

Advice on market definition in Canadian competition matter (2003-2004)

Analysis for the Alberta Balancing Pool (Canada) on the competitiveness of Alberta wholesale electricity market and advice on long-term options for management of unsold Power Purchase Arrangements (2002)

Part of team that analyzed allegations that purchasers of leaf tobacco and cigarette manufacturers conspired to fix prices (2001-2002)

Part of team that first drafted the Intellectual Property Enforcement Guidelines issued by the Competition Bureau, Industry Canada (1998-1999)

Expert opinion on a merger, a price-fixing case and a monopolization case while T.D. MacDonald Chair at the Competition Bureau (1997-98)

Bid Strategy

Support to Italian operator for the auction of 800MHz, 900MHz, and 2600MHz spectrum (2011)

Support to Telefonica for the auction in Spain of 800MHz, 900MHz and 2600MHz spectrum (2011)

Analysis for Telus of the design and outcome of the Canadian AWS auction (2008)

Support to an energy auction participant for acquisition of standard energy products (2006-2007)

Lead advisor to EPCOR (Canada) for an auction to acquire electric capacity through long-term contracts (2000)

Testimony

Auction Design and Implementation

Regulatory hearings held by the New Jersey Board of Public Utilities. September 2013. Oral testimony regarding the advantages of the auction process proposed by the four New Jersey utilities.

Regulatory hearings held by the New Jersey Board of Public Utilities. September 2012. Oral testimony regarding the advantages of the auction process proposed by the four New Jersey utilities.

PECO Energy Company, Docket No. P-2012-2283641, testimony on behalf of the Petition of PECO Energy Company for Approval of its Default Service Program filed with the Commonwealth of Pennsylvania Public Utility Commission. Direct testimony (January 13, 2012), Supplemental testimony (April 24, 2012), Rebuttal testimony (May 04 2012). Testimony before the Commonwealth of Pennsylvania Public Utility Commission (May 22, 2012).

Regulatory hearings held by the New Jersey Board of Public Utilities. September 2011. Oral testimony regarding the advantages of the auction process proposed by the four New Jersey utilities.

Regulatory hearings held by the New Jersey Board of Public Utilities. September 2010. Oral testimony regarding the advantages of the auction process proposed by the four New Jersey utilities.

Pennsylvania Power Company (Docket No. P-2010-2157862). Petition for the approval of its Default Service Plan filed with the Commonwealth of Pennsylvania Public Utility Commission. Direct Testimony (February 2010).

Regulatory hearings held by the New Jersey Board of Public Utilities. September 2009. Oral testimony regarding the advantages of the auction process proposed by the four New Jersey utilities.

Metropolitan Edison Company (Docket No. P-2009-2093053) and Pennsylvania Electric Company (Docket No. P-2009-2093054). Petition for the approval of their Default Service Plan filed with the Commonwealth of Pennsylvania Public Utility Commission. Direct Testimony (March 10, 2009). Rebuttal Testimony (June 12, 2009).

PECO Energy Company, Docket No. P-2008-2062739, testimony on behalf of the Petition of PECO Energy Company for Approval of its Default Service Program and Rate Mitigation Plan filed with the Commonwealth of Pennsylvania Public Utility Commission. Direct testimony (September 10, 2008). Supplemental testimony (November 14, 2008). Rebuttal testimony (January 30, 2009).

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Regulatory hearings held by the New Jersey Board of Public Utilities. September 2007. Oral testimony regarding the advantages of the auction process proposed by the four New Jersey utilities.

Illinois Commerce Commission, Docket No. 06-0800, Investigation of Rider CPP of Commonwealth Edison Company, and Rider MV of Central Illinois Light Company d/b/a AmerenCILCO, of Central Illinois Public Service Company d/b/a AmerenCIPS, and of Illinois Power Company d/b/a AmerenIP, pursuant to Commission Orders regarding the Illinois Auction. Direct testimony (March 2007), Rebuttal testimony (April 2007) on potential improvements to the Illinois Auction. Testimony before the Illinois Commerce Commission (April 25, 2007).

Regulatory hearings held by the New Jersey Board of Public Utilities. September 2006. Oral testimony regarding the advantages of the auction process proposed by the four New Jersey utilities.

Committee Hearing of the Telecommunications and Utilities Committee of the New Jersey General Assembly. June 2006. Oral testimony regarding New Jersey procurement of electricity and market trends.

Regulatory hearings held by the New Jersey Board of Public Utilities. April 2006. Oral testimony regarding the procurement process to be used in 2007.

Commonwealth of Pennsylvania Public Utility Commission, Docket No. P-00052188, testimony on behalf of the Petition of Pennsylvania Power Company for approval of their Interim POLR

Supply Plan. Direct testimony (October 11, 2005), Supplemental testimony (November 11, 2005) and rebuttal testimony (December 23, 2005). Testimony before the Commonwealth of Pennsylvania Public Utility Commission (January 10, 2006).

Illinois Commerce Commission, Docket 05-0159, Commonwealth Edison Company proposed tariffs filed pursuant to Article IX of the Public Utilities Act defining a competitive supply procurement process and, pursuant to Section 16-112(a) of the Act, establishing a market value methodology to be effective post-2006; providing for Power Purchase Options and for recovery of transmission charges post-2006; and enabling subsequent restructuring of rates and unbundling of prices for bundled service pursuant to Sections 16-109A and 16-111(a) of the Act. Direct testimony (February 2005), Rebuttal testimony (July 2005), Surrebuttal testimony (August 2005) on auction design and management. Testimony before the Illinois Commerce Commission (September 8-9, 2005).

Illinois Commerce Commission, Dockets 05-0160, 05-0161, 05-0162 (consolidated), Central Illinois Light Company, Central Illinois Public Service Company, Illinois Power Company (the “Ameren Companies”) proposed tariffs to establish basic generation services, the procurement process by which the Companies will acquire supply to provide basic generation services, and the method by which auction prices will be translated into prices that customers will pay. Direct testimony (February 2005), Rebuttal testimony (July 2005), and Surrebuttal testimony (August 2005) on auction design and management. Testimony before the Illinois Commerce Commission (September 8-9, 2005).

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Regulatory hearings held by the New Jersey Board of Public Utilities. September 2002. Oral testimony regarding the advantages of the auction process proposed by the four New Jersey utilities.

Regulatory hearings held by the New Jersey Board of Public Utilities. September 2001. Oral testimony regarding the advantages of the auction process proposed by the four New Jersey utilities.

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Public Utilities Commission of Ohio, Case No. 08-917-EL-SSO and Case No. 08-918-EL-SSO. Application by Columbus Southern Power Company and Ohio Power Company for approval of an Electric Security Plan (2009-2011). Testimony on behalf of Columbus Southern Power Company and Ohio Power Company in the remand proceeding regarding the nature of shopping-

related risks for default service. Direct testimony (June 6, 2011). Oral testimony on direct (July 19, 2011). Rebuttal testimony (July 25, 2011). Oral testimony on rebuttal (July 28, 2011).

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November 2013

Exhibit CL-2

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, 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, PIPP Customers, Commercial/Industrial Customers, Lighting Customers, Special Contract Customers, and any other Customer taking retail generation service from AEP Ohio.

“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 Responsibility 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 or to a federal court of competent jurisdiction situated in the 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:

INVOICES:

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

PAYMENTS:

Institution:

Account No.:

ABA No:

SCHEDULING:

Attention:

Email:

Fax Number:

Phone Number:

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 WITNESS 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: Pablo A. Vegas

Title: President, AEP Ohio

[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 undiscounted basis by multiplying this change in market value by a Volume Adjustment Factor. 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 Volume Adjustment Factor 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 ratio 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]

	<u>Forward Market (a)</u>		<u>Initial Tranche Volume (b)</u>		Mkt Value
	Adjusted On-Peak Market Price	Adjusted Off-Peak Market Price	On- Peak	Off- Peak	
	\$/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 Close Date

[VALUES ARE FOR ILLUSTRATION ONLY]

	<u>Forward Price (a)</u>		<u>Price Adjustment Factor (b)</u>		Adjusted On-Peak Market Price \$/MWh	Adjusted Off-Peak Market Price \$/MWh
	On-Peak Market Price	Off-Peak Market Price	On- Peak	Off- Peak		
	\$/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)		Current Mkt \$000	Original Mkt Value on Solicitation Closing Date \$000	Change in Mkt Value \$000	Volume Adjustment Factor	Volume Adjustment Change in Mkt Value \$000
	On- Peak Market Price \$/MWh	Off- Peak Market Price \$/MWh	On- Peak MWh	Off- Peak MWh					
Jun-13	39.60	26.90	3,386	3,653	232	226	6	1.0005	6
Jul-13	45.98	29.48	4,078	3,844	301	279	22	0.9984	22
Aug-13	44.88	29.48	3,986	3,595	285	272	13	0.9991	13
Sep-13	37.24	26.51	2,900	2,578	176	161	15	1.0041	15
Oct-13	35.31	26.29	2,367	2,452	148	135	13	1.0037	13
Nov-13	36.74	27.39	2,799	2,288	166	150	16	0.9993	16
Dec-13	39.88	32.45	3,480	3,259	245	225	20	0.9963	20
Jan-14	49.90	45.44	2,749	3,247	285	264	21	0.9941	21
Feb-14	44.17	36.85	3,133	2,776	241	225	16	0.9957	16
Mar-14	41.53	33.11	3,095	2,841	223	204	19	1.0030	19
Apr-14	41.36	31.30	2,440	2,554	181	165	16	1.0068	16
May-14	41.36	29.81	2,905	2,705	201	186	15	1.0052	15
Jun-14	44.72	30.64	3,386	3,653	263	257	6	1.0005	7
Jul-14	51.98	33.28	4,078	3,844	340	315	25	0.9984	24
Aug-14	51.98	33.28	3,986	3,595	327	312	15	0.9991	15
Sep-14	42.79	30.14	2,900	2,578	202	184	18	1.0041	18
Oct-14	39.49	29.43	2,367	2,452	166	151	15	1.0037	15
Nov-14	40.59	30.58	2,799	2,288	184	166	18	0.9993	18
Dec-14	42.35	35.75	3,480	3,259	264	243	21	0.9963	21
Jan-15	48.02	39.22	3,749	3,247	307	284	23	0.9941	23
Feb-15	48.02	39.22	3,133	2,776	259	242	17	0.9957	17
Mar-15	45.10	35.37	3,095	2,841	240	220	20	1.0030	20
Apr-15	43.89	33.44	2,440	2,554	192	175	17	1.0068	17
May-15	44.72	32.62	2,905	2,705	218	202	16	1.0052	16
								Total Mark to Market Exposure per Tranche(before discounting)(c)	271

(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): 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 43220
Attention: Chief Risk Officer

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 Time¹) 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: Chief Risk Officer

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
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:

**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. AEP Ohio’s third Electric Security Plan (“ESP III”) addresses the Commission’s mandate in the ESP II Order to hold energy and capacity auctions for SSO customers for delivery beginning June 1, 2015. 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.
- I.1.4. AEP Ohio addresses the output from Ohio Valley Electric Corporation (“OVEC”) in its amendment to its Corporate Separation Plan. AEP has proposed that the output be liquidated through the PJM market.
- I.1.5. 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 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 beginning June 1, 2015 through six (6) descending clock auctions. The first two (2) auctions under the CBP will procure 12-month and 24-month contracts. The remaining four (4) auctions under the CBP will solely procure a 12-month contract. 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

Introduction

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 '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.
 - 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 opening of the "Part 1 Window", which is the period during which Part 1 Applications are processed, 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

Information to Bidders

- 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	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	Day -5
Part 1 Window opens	Day 0
Part 1 Applications are due	Day 13
Part 1 Notification Date	Day 17
Part 2 Window opens	Day 18
Auction Manager announces any update to the MW-measure and announces seasonal factors	Day 28
Part 2 Applications are due	Day 32
Part 2 Notification Date	Day 37
Bidder User Manual Distributed	Day 37
Trial Auction for Registered Bidders	Day 38
Auction Manager informs Registered Bidders of round 1 prices	Day 39
Auction begins	Day 42
Auction Manager notifies AEP Ohio and the Commission of results	On day of auction close
End of Commission review period	Within two days of the auction close

Information to Bidders

Event	Date
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.

Products and Auctions

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 PIPP customers (those who take service under AEP Ohio's percentage of income payment plan) and customers that have reasonable arrangements under Section 4905.31, Revised Code.¹
- 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.

Products and Auctions

- 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 six (6) descending clock auctions. The first two (2) auctions under the CBP will procure two products, a 12-month product and a 24-month product. The remaining four (4) auctions under the CBP will procure a single 12-month product. The delivery period for each contract is scheduled to start on the 1st of the month of June immediately following the auction.
- III.2.6. The proposed number of tranches to be procured at each auction, load caps and auction timing are provided below.

Table 2. Auction Timing and Percentage of SSO Load to be Procured.

Auction	Product Duration	Delivery Start Date	Percentage of SSO Load	Load Cap Percentage
Auction 1 (Sep. 2014)	12-Month	June 1, 2015	33	40
	24-Month	June 1, 2015	17	
Auction 2 (Mar. 2015)	12-Month	June 1, 2015	33	40
	24-Month	June 1, 2015	17	
Auction 3 (Sep. 2015)	12-Month	June 1, 2016	33	26
Auction 4 (Mar. 2016)	12-Month	June 1, 2016	33	26
Auction 5 (Sep. 2016)	12-Month	June 1, 2017	50	40
Auction 6 (Mar. 2017)	12-Month	June 1, 2017	50	40

Pre-Auction Processes

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 auctions of the CBP.

Table 3. Credit-Based Tranche Cap.

Credit Rating for Bidder or Guarantor			Credit-Based Tranche Cap
S&P	Moody’s	Fitch	
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

Pre-Auction Processes

- 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. The "Part 1 Date" is the date when Part 1 Applications are due. 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.1.6. Bidders that have qualified in a prior auction under this CBP for AEP Ohio will be able to participate in an abbreviated process.
- IV.1.7. 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

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- 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.

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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.

- 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 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

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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.

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- 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 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

Pre-Auction Processes

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.

General Bidding Provisions

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.

General Bidding Provisions

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 last a 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.

Bidding Rules for Single Product Auctions

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.

Bidding Rules for Single Product Auctions

- 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

Bidding Rules for Single Product Auctions

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.

Bidding Rules for Multiple Product Auctions

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

Bidding Rules for Multiple Product Auctions

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

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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

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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.

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- 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.

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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

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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 not 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.

Post-Auction Process

- 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.

Contingency Plans

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.

Associations and Handling of Confidential Information

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.

Associations and Handling of Confidential Information

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.

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- 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

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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

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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.

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- 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.

Appendix 1 – Provisional Schedule

The provisional dates for each auction over the course of the CBP are provided below. 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.

September 2014 Auction

Activity	Date
Alternate guaranty process begins	Friday, July 18, 2014
Bidder Information Session	Tuesday, July 22, 2014
Auction Manager announces tranche targets, tranche size, MW-measure, minimum and maximum starting prices	Tuesday, July 22, 2014
Alternate guaranty process ends	Wednesday, July 30, 2014
Part 1 Window opens	Thursday, July 31, 2014
Part 1 Applications are due	Tuesday, August 19, 2014
Part 1 Notification Date	Monday, August 25, 2014
Part 2 Window opens	Tuesday, August 26, 2014
Auction Manager announces any update to the MW-measure and announces seasonal factors	Wednesday, September 10, 2014
Part 2 Applications are due	Tuesday, September 16, 2014
Part 2 Notification Date	Tuesday, September 23, 2014
Bidder User Manual Distributed	Tuesday, September 23, 2014
Trial Auction for Registered Bidders	Wednesday, September 24, 2014
Auction Manager informs Registered Bidders of round 1 prices	Thursday, September 25, 2014
Auction begins	Tuesday, September 30, 2014
Auction Manager notifies AEP Ohio and the Commission of results	On day of auction close
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	Monday, June 01, 2015

March 2015 Auction

Activity	Date
Alternate guaranty process begins	Tuesday, January 06, 2015
Bidder Information Session	Wednesday, January 14, 2015
Auction Manager announces tranche targets, tranche size, MW-measure, minimum and maximum starting prices	Wednesday, January 14, 2015
Alternate guaranty process ends	Thursday, January 22, 2015
Part 1 Window opens	Thursday, January 29, 2015
Part 1 Applications are due	Wednesday, February 18, 2015
Part 1 Notification Date	Tuesday, February 24, 2015
Part 2 Window opens	Wednesday, February 25, 2015
Auction Manager announces any update to the MW-measure and announces seasonal factors	Wednesday, March 11, 2015
Part 2 Applications are due	Tuesday, March 17, 2015
Part 2 Notification Date	Tuesday, March 24, 2015
Bidder User Manual Distributed	Tuesday, March 24, 2015
Trial Auction for Registered Bidders	Wednesday, March 25, 2015
Auction Manager informs Registered Bidders of round 1 prices	Thursday, March 26, 2015
Auction begins	Tuesday, March 31, 2015
Auction Manager notifies AEP Ohio and the Commission of results	On day of auction close
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	Monday, June 01, 2015

September 2015 Auction

Activity	Date
Alternate guaranty process begins	Wednesday, July 08, 2015
Bidder Information Session	Thursday, July 16, 2015
Auction Manager announces tranche targets, tranche size, MW-measure, minimum and maximum starting prices	Thursday, July 16, 2015
Alternate guaranty process ends	Thursday, July 23, 2015
Part 1 Window opens	Thursday, July 30, 2015
Part 1 Applications are due	Tuesday, August 18, 2015
Part 1 Notification Date	Monday, August 24, 2015
Part 2 Window opens	Tuesday, August 25, 2015
Auction Manager announces any update to the MW-measure and announces seasonal factors	Wednesday, September 09, 2015
Part 2 Applications are due	Tuesday, September 15, 2015
Part 2 Notification Date	Tuesday, September 22, 2015
Bidder User Manual Distributed	Tuesday, September 22, 2015
Trial Auction for Registered Bidders	Wednesday, September 23, 2015
Auction Manager informs Registered Bidders of round 1 prices	Thursday, September 24, 2015
Auction begins	Tuesday, September 29, 2015
Auction Manager notifies AEP Ohio and the Commission of results	On day of auction close
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	Wednesday, June 01, 2016

March 2016 Auction

Activity	Date
Alternate guaranty process begins	Tuesday, January 05, 2016
Bidder Information Session	Wednesday, January 13, 2016
Auction Manager announces tranche targets, tranche size, MW-measure, minimum and maximum starting prices	Wednesday, January 13, 2016
Alternate guaranty process ends	Thursday, January 21, 2016
Part 1 Window opens	Thursday, January 28, 2016
Part 1 Applications are due	Wednesday, February 17, 2016
Part 1 Notification Date	Tuesday, February 23, 2016
Part 2 Window opens	Wednesday, February 24, 2016
Auction Manager announces any update to the MW-measure and announces seasonal factors	Wednesday, March 09, 2016
Part 2 Applications are due	Tuesday, March 15, 2016
Part 2 Notification Date	Tuesday, March 22, 2016
Bidder User Manual Distributed	Tuesday, March 22, 2016
Trial Auction for Registered Bidders	Wednesday, March 23, 2016
Auction Manager informs Registered Bidders of round 1 prices	Thursday, March 24, 2016
Auction begins	Tuesday, March 29, 2016
Auction Manager notifies AEP Ohio and the Commission of results	On day of auction close
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	Wednesday, June 01, 2016

September 2016 Auction

Activity	Date
Alternate guaranty process begins	Wednesday, July 06, 2016
Bidder Information Session	Thursday, July 14, 2016
Auction Manager announces tranche targets, tranche size, MW-measure, minimum and maximum starting prices	Thursday, July 14, 2016
Alternate guaranty process ends	Thursday, July 21, 2016
Part 1 Window opens	Thursday, July 28, 2016
Part 1 Applications are due	Tuesday, August 16, 2016
Part 1 Notification Date	Monday, August 22, 2016
Part 2 Window opens	Tuesday, August 23, 2016
Auction Manager announces any update to the MW-measure and announces seasonal factors	Wednesday, September 07, 2016
Part 2 Applications are due	Tuesday, September 13, 2016
Part 2 Notification Date	Tuesday, September 20, 2016
Bidder User Manual Distributed	Tuesday, September 20, 2016
Trial Auction for Registered Bidders	Wednesday, September 21, 2016
Auction Manager informs Registered Bidders of round 1 prices	Thursday, September 22, 2016
Auction begins	Tuesday, September 27, 2016
Auction Manager notifies AEP Ohio and the Commission of results	On day of auction close
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	Thursday, June 01, 2017

March 2017 Auction

Activity	Date
Alternate guaranty process begins	Tuesday, January 03, 2017
Bidder Information Session	Wednesday, January 11, 2017
Auction Manager announces tranche targets, tranche size, MW-measure, minimum and maximum starting prices	Wednesday, January 11, 2017
Alternate guaranty process ends	Thursday, January 19, 2017
Part 1 Window opens	Thursday, January 26, 2017
Part 1 Applications are due	Tuesday, February 14, 2017
Part 1 Notification Date	Tuesday, February 21, 2017
Part 2 Window opens	Wednesday, February 22, 2017
Auction Manager announces any update to the MW-measure and announces seasonal factors	Wednesday, March 08, 2017
Part 2 Applications are due	Tuesday, March 14, 2017
Part 2 Notification Date	Tuesday, March 21, 2017
Bidder User Manual Distributed	Tuesday, March 21, 2017
Trial Auction for Registered Bidders	Wednesday, March 22, 2017
Auction Manager informs Registered Bidders of round 1 prices	Thursday, March 23, 2017
Auction begins	Tuesday, March 28, 2017
Auction Manager notifies AEP Ohio and the Commission of results	On day of auction close
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	Thursday, June 01, 2017

Glossary for AEP Ohio's Competitive Bidding Process Auctions

This glossary applies to AEP Ohio's Competitive Bidding Process ("CBP"). Defined terms used in this glossary shall have the meaning given to such terms in the CBP Rules or in the Master SSO Supply Agreement; definitions for such terms are summarized here for convenience. Other terms may also be defined below.

Application website: The website through which a bidder submits the online Part 1 Form, the online Part 2 Form, and any required attachments. Bidders will be provided logon credentials for the application website upon submitting an expression of interest to the Auction Manager.

Associated with: 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.

Auction clearing price: Price obtained at the Auction for a product, which determines the payment to SSO Suppliers and the rates of SSO customers. The CBP Rules explain how the auction clearing price for a product is determined.

Bid (in a multiple product auction): A bid consists of the number of tranches that the bidder wants to supply of each product at the going prices of a round of the auction.

Bid (in a single product auction): A bid consists of the number of tranches that the bidder wants to supply for a product at the going price of a round of the auction.

Bidder: Term used generically to refer to a prospective bidder, a Qualified Bidder, or a Registered Bidder.

Bidding agreement: Any agreement between two or more parties, each of whom intends to participate in the auction, to share information relative to the bidding strategy in the auction, to share information regarding round results, to agree upon bids, to agree upon bidding strategy or to coordinate bids during the auction.

Bidding consortium: A group of separate businesses or business people joining together to submit joint bids in the auction. A set of companies joining together to provide SSO Supply, with each providing different expertise or components.

Bidding phase: In the bidding phase of a round of an auction, 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.

Calculating phase: 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.

CBP Rules: The "Bidding Rules for the Auctions Under the Competitive Bidding Process of Ohio Power Company" document, which describes 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 ESP III.

CBP Website: The website for AEP Ohio's CBP is <http://www.aepohiocbp.com>.

Commission Consultant: The Commission Staff may retain an advisor for purposes of assisting in overseeing the conduct of the auctions.

Confidential Information Regarding the Auction: 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.

Confidential Information Relative to Bidding Strategy: 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.

Day: A business day, unless noted otherwise.

Decrement: A decrement is the percentage decrease of the going price for a product from one round to the next. 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.

Default bid: A bidder with positive eligibility that does not submit a bid in a round is assigned a default bid. A default bid consists of the minimum number of tranches that the bidder could have bid for each product.

Denied Switch (in a multiple product auction): 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.

Eligibility: The maximum number of tranches that the bidder can bid in a round of the auction. (See also initial eligibility).

ESP II: AEP Ohio's Electric Security Plan filed on March 30, 2012, which proposed a CBP for energy-only auctions that would transition AEP Ohio to procuring 100% of the energy needs of its SSO customers by the start of 2015 (Case No. 11-346-EL-SSO and Case No. 11-348-EL-SSO).

ESP II Order: The Opinion and Order issued by the Commission regarding AEP Ohio's ESP II on August 8, 2012. The ESP II Decision mandated that AEP Ohio hold energy and capacity auctions for SSO customers beginning June 1, 2015.

ESP III: AEP Ohio's third Electric Security Plan which addresses the Commission's mandate in the ESP II Decision to hold energy and capacity auctions for SSO customers for delivery beginning June 1, 2015.

Excess supply (in a multiple product auction): The number of tranches bid less the tranche target for a product. (See also total excess supply).

Exit price: 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.

Free eligibility (in a multiple product auction): A tranche from a denied switch for a bidder that is outbid by another bidder becomes free eligibility in the next round of the auction.

Going price: The going prices in a round of the auction are the prices at which the Auction Manager is soliciting bids in that round.

Indicative offer: Two (2) numbers of tranches that a Qualified Bidder must specify in its Part 2 Application. 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.

Initial eligibility: The maximum number of tranches that a bidder can bid in the first round of the auction.

Joint Venture: An enterprise entered into by two or more people for profit with the purpose of bidding in the auction. A joint venture has most of the elements of a partnership, such as shared management, the power of each venturer to bind the others in the business, division of profits and joint responsibility for losses. However, unlike a partnership, a joint venture anticipates a specific area of activity and/or period of operation, so after the purpose is completed, bills are paid, profits (or losses) are divided, and the joint venture is terminated.

Letter of intent to provide a guaranty: A document executed by an authorized representative of the guarantor that is required for a bidder relying on the financial standing of a guarantor.

Letter of reference: A document issued by a bidder's bank in support of the bidder's indicative offer.

Load cap: A maximum number of tranches that a bidder can bid and win in an auction.

Load cap percentage: The maximum percentage of SSO Load that a bidder can bid and win in an auction.

Master SSO Supply Agreement: Document that defines the specific obligations associated with providing SSO Supply.

Minimum and maximum starting prices: The minimum and maximum starting prices establish the range of possible round 1 prices in the auction.

MW-measure: A figure in MW assigned to each tranche.

Nominees: Individuals, in addition to a bidder's Representative, who will be included in electronic communications from the Auction Manager. A bidder's Representative can provide contact information for up to three (3) Nominees.

Outbid (in a multiple product auction): If a bidder had denied switches in a prior round of the auction, these denied switches may be outbid as new tranches bid at the going price in subsequent rounds replace the denied switches in filling the tranche target.

Part 1 Application: The first part of the application process through which interested parties apply to become Qualified Bidders.

Part 1 Date: The date when Part 1 Applications are due.

Part 1 Notification: Notice provided by the Auction Manager to a bidder that has met all the requirements to become a Qualified Bidder.

Part 1 Notification Date: The date when the Auction Manager notifies bidders whether they have met all the requirements to become a Qualified Bidder.

Part 1 Window: The period during which Part 1 Applications are processed.

Part 2 Application: The second part of the application process through which each Qualified Bidder makes certifications, provides an indicative offer, and posts pre-bid security to become a Registered Bidder.

Part 2 Date: The date when Part 2 Applications are due.

Part 2 Notification: Notice provided by the Auction Manager to a bidder that has met all the requirements to become a Registered Bidder.

Part 2 Notification Date: The date when the Auction Manager notifies bidders whether they have met all the requirements to become a Registered Bidder.

Part 2 Window: The period during which Part 2 Applications are processed.

Pre-bid security: Consists of a pre-bid letter of credit or cash and, if necessary, a letter of reference and/or a letter of intent to provide a guaranty. A bidder is advised upon qualification whether a letter of reference and/or a letter of intent to provide a guaranty are required.

Preliminary interest (in a multiple product auction): Two (2) numbers of tranches that a Qualified Bidder must specify in its Part 2 Application. 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.

Product: SSO Supply for a given delivery period.

Qualified Bidders: All bidders that are qualified pursuant to a successful Part 1 Application.

Representative: The individual authorized to represent the Applicant in the auction. The Auction Manager provides all notifications and other written communication to the Representative and any Nominees the Representative may designate.

Registered Bidders: All bidders that are registered pursuant to a successful Part 2 Application.

Reporting phase: The reporting phase immediately follows the calculating phase. In the reporting phase of the round, the Auction Manager informs bidders of the going prices for the next round's bidding phase and the range of total excess supply. Each bidder privately receives the results of its own bid from that round.

Retained: 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 retain one or more tranches by refusing 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.

Round: The auction runs in discrete time periods called rounds. Each round has a bidding phase, a calculating phase, and a reporting phase.

Round 1 price: The going price for a product in the first round of the auction.

Special Contract customers: Customers that have reasonable arrangements under Section 4905.31, Revised Code.

SSO customers: SSO customers are customers who take retail generation service from AEP Ohio. SSO customers include PIPP customers (those who take service under AEP Ohio's

percentage of income payment plan) and customers that have reasonable arrangements under Section 4905.31, Revised Code (sometimes referred to as Special Contract customers).

SSO Supplier: A bidder that wins at an auction for which results are accepted by the Commission.

SSO Supply: Full requirements service for AEP Ohio's SSO customers. 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.

Switch (in a multiple product auction): A bidder requests a switch when 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.

Switch priority (in a multiple product auction with three or more products): If a bidder increases the number of tranches bid on more than one product, 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.).

Time-Out: A time-out suspends the activity in the auction and is called at the discretion of the Auction Manager.

Total excess supply (in a single product auction): The greater of (i) zero; and (ii) the number of tranches bid less the tranche target.

Total excess supply (in a multiple product auction): Sum across all products of the greater of: (i) zero; or (ii) the number of tranches bid less the tranche target for the product; plus any free eligibility.

Total initial eligibility: The sum across all Registered Bidders of the indicative offers at the maximum starting price.

Tranche: A fixed percentage of SSO load.

Tranche size: The fixed percentage of SSO load assigned to each tranche.

Tranche target: The number of tranches procured for each product in the auction.

Volume: The total number of tranches to be procured in the auction.

Withdraw: If a bidder selects to bid fewer tranches than in the previous round, the bidder withdraws tranches from the auction for at least one product.

Acronyms and Abbreviations

AEP Ohio: Ohio Power Company

CBP: Competitive Bidding Process

Commission: The Public Utilities Commission of Ohio

ICRT: Independent Credit Requirement per Tranche

LSE: Load Serving Entity

NITS: Network Integration Transmission Service

OVEC: Ohio Valley Electric Corporation

SSO: Standard Service Offer

**Communications Protocols for
Ohio Power Company (“AEP Ohio”)
Competitive Bidding Process Auctions**

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1. INTRODUCTION

These Communications Protocols apply to the competitive bidding process (“CBP”) auctions for Ohio Power Company (“AEP Ohio”) to procure full requirements supply for retail customers who take retail generation service from AEP Ohio (“SSO customers”).

The Communications Protocols in this document are intended to promote a fair, open, transparent, objective, and non-discriminatory process for the auctions under the CBP to procure full requirements products for SSO customers. These protocols also intend to protect proprietary information of participants and information that, should it be released, would be detrimental to the outcome of the auction or future competitive bidding processes.

Terms that are not defined herein are defined in the CBP Rules, in the Master SSO Supply Agreement, or in the Glossary.

These protocols elaborate upon the means by which confidentiality is to be maintained through adherence to the procedures in this document. Should the Auction Manager recognize that additional procedures are required, the Auction Manager will establish such additional procedures in keeping with the principles provided in this document and inform AEP Ohio, the Public Utilities Commission of Ohio (“Commission”) and Commission Staff, the Commission Consultant, and bidders in a timely manner.

This document is organized as follows:

- Section 2 summarizes the objectives of this document and provides general procedures.
- Section 3 describes protocols regarding communications between AEP Ohio and bidders, including any affiliates of AEP Ohio.
- Section 4 summarizes information that may be communicated with the general public, including the media, and the means by which that information is disseminated.
- Section 5 addresses bidder Communications Protocols, including communications between the Auction Manager and bidders.
- Section 6 summarizes Communications Protocols with the Commission, including communications between the Commission and the Auction Manager, between the Commission and AEP Ohio and disclosure of confidential information.
- Appendix A is an acknowledgment confidentiality agreement to be signed by any party other than bidders who may have access to confidential information about the auction process.

2. GENERAL OBJECTIVES AND PROCEDURES

2.1 Objectives

This document and the procedures it describes promote four main objectives:

- The first objective is to establish a fair and equitable process for all bidders by ensuring all bidders have equal access to the same information necessary to evaluate the bidding opportunity and to prepare their bids in a timely manner.
- The second objective is to take all reasonable precautions that any information generated by the auction process that could harm the competitive position of bidders or AEP Ohio, if released, is kept confidential.
- The third objective is to take all reasonable precautions that confidential information is provided only to those persons to whom it is deemed necessary for the conduct and management of the auction process.
- The fourth objective is to ensure that information that, if released, could harm the competitiveness of future competitive bidding processes, is kept confidential from all entities, including bidders.

These objectives will be accomplished by following two guiding principles. The first is that there will be one communication point for bidders: all communications to prospective and actual bidders will be through the Auction Manager. The second guiding principle is that the Auction Manager will distribute and disseminate information equally and fairly to all potential and actual bidders. These two guiding principles facilitate equal access to the same information for all bidders. Only the Auction Manager responds to inquiries from bidders and information is disseminated to all bidders by or under the supervision of the Auction Manager.

The Auction Manager will also put in place procedures to protect information generated by the implementation of the auction that could harm the competitive position of bidders if released.

2.2 Public and Confidential Information

The protocols in this section specifically identify public information. Any information that is not specifically identified as public information is deemed to be non-public, or “confidential” information. These Communication Protocols provide the procedures for the treatment and communication of confidential information for AEP Ohio, the Auction Manager, the Commission, and the Commission Consultant. Bidders also have obligations to keep from disclosing certain information. While these obligations are discussed briefly in these protocols, the bidders’ obligations are provided in detail in the CBP Rules. Bidders accept and acknowledge their obligations in the Part 1 Application and the Part 2 Application.

Public information is defined as any information to which all parties concerned with the auction process (i.e., potential and actual bidders, AEP Ohio, the Commission, the Commission Consultant, the public, and the media) can have access. Public information includes:

- FAQs;
- CBP Rules;
- Glossary;
- Announcements;
- AEP Ohio’s filings and all other documents for participation in the auctions;
- Any documents prepared by the Auction Manager that summarize AEP Ohio’s filing or Commission Order;
- Calendar;
- Master SSO Supply Agreement;
- Standard form of the credit documents and acceptable modifications to the standard forms;
- Application Forms (blank);
- Contents of the Data Room;
- Information provided at bidder information sessions;
- Comments submitted during the stakeholder process;
- Tranche targets, volume in the auction, minimum and maximum starting prices, load caps, credit-based tranche caps;
- Seasonal factors;
- Any information that the Commission has publicly released or that the Commission requests be released by the Auction Manager or by the Commission Consultant; and

- Any information that a bidder makes public, consistent with the CBP Rules and the bidder's undertakings under the Part 1 and Part 2 Application process, regarding its own participation in the auction.

Any information posted to the publicly accessible portions of the CBP website, the PJM website, AEP Ohio's websites, or the Commission website is also public information. The publicly accessible portions of these websites are portions that do not require logon credentials and, in the case of the CBP website, excludes the application website. Information related to the CBP that is not posted to publicly accessible portions of these websites or that is not in the list above is deemed confidential. The Auction Manager may determine that such information may be made public without impairing the integrity of current or future competitive bidding processes, without impairing the ability of AEP Ohio to hold future competitive bidding processes, and without harming consumers or bidders.

Parties to these protocols may discuss this public information with others and/or refer others to the CBP website. However, any question from potential bidders, even if the question concerns public information, must be referred to the Auction Manager in keeping with the guiding principle that the Auction Manager serves as the single point of contact for bidders.

The treatment and restrictions on the communication of confidential information is discussed in the remainder of these protocols. Any information that is not specifically identified as public information is deemed to be confidential information. The following is a list of confidential information items and is not intended to be exhaustive:

- The identity of a party asking question regarding the auctions;
- All information provided on bidder applications;
- Aggregate and individual bidder eligibility;
- Starting prices;
- Round results and bids by round, as well as any other auction results derived therefrom;
- The status of the auction;
- The status of participation of any bidder; and
- Information provided by bidders to the Auction Manager exclusive of such information available from publicly available documents.

2.3 Access to Confidential Information

Under these protocols, an individual who is involved with the conduct and management of the auction process and who will have access to confidential information:

- is provided with a copy of these protocols;
- signs the acknowledgment and confidentiality agreement (“Acknowledgment”) attached to these protocols; and
- returns the signed Acknowledgment to the Auction Manager.

A signatory of the Acknowledgment may only discuss confidential information under these Communications Protocols with another signatory of the Acknowledgment. The Auction Manager Team maintains the list of signatories of the Acknowledgment. The Auction Manager provides the list of signatories to each of the signatories on a weekly basis until the minimum and maximum starting prices are announced. Thereafter, the Auction Manager provides the list of signatories to each of the signatories if the list changes.

3. AEP OHIO AND AFFILIATES

3.1 Internal Communications

AEP Ohio will designate individuals who are involved with the conduct and management of the auction process and who will have access to confidential information. These individuals will receive the Communications Protocols and sign the Acknowledgment. These individuals, directly or indirectly, will not have communication with, or exchange information with, individuals who may be involved with applying to or bidding in the auction process where such communication or information is related directly or indirectly to this auction process. In these protocols, "AEP Ohio" means the group of individuals designated by AEP Ohio as those involved with the conduct and management of the auction process and who will have access to confidential information.

3.2 Communications with bidders

AEP Ohio will not communicate with bidders prior to acceptance of the auction results by the Commission. When the Auction Manager informs AEP Ohio about the prices and tranches of the winning bids and the identity of winning bidders, representatives from AEP Ohio then will communicate with the winning bidders in order to execute the necessary documents.

If a bidder attempts to contact AEP Ohio prior to acceptance of the auction results by the Commission regarding the auction process by phone call, email, fax, or other means, AEP Ohio will direct the bidder to the CBP website and/or to the Auction Manager.

3.3 Part 1 Application Process

For the Part 1 Application process, the Auction Manager will provide the names of applicants to AEP Ohio as well as the names of the entities on whose financial standing the applicants rely. The Auction Manager will also provide financial and credit information provided in the Part 1 Application. AEP Ohio's credit department will confirm the applicants' unsecured credit line under the Master SSO Supply Agreement and confirm the applicants' credit requirements in the Part 2 Application process. The Auction Manager will provide to AEP Ohio the list of Qualified Bidders.

3.4 Part 2 Application Process

For the Part 2 Application process, the Auction Manager will provide to AEP Ohio the names of the Qualified Bidders that chose to submit a Part 2 Application as well as aggregate and anonymous information regarding the indicative offers. The Auction Manager will provide to AEP Ohio's credit department a copy of the credit instruments and documentation submitted in the Part 2 Application with

the amount and the identity of the bidder redacted. The Auction Manager will provide to AEP Ohio the list of Registered Bidders and the aggregate initial eligibility in the auction.

3.5 Auction and Post Auction

The Auction Manager will provide to AEP Ohio access to the following information during the auction:

- Going prices and range of excess supply in each round;
- Extraordinary events during the auction;
- The round in progress at any point in time;
- Messages from the Auction Manager; and
- The auction clearing prices.

This information is also seen by all bidders in the auction. In addition, the Auction Manager communicates with AEP Ohio when its assistance is needed in responding to critical bidder questions or when there are problems with the auction.

Any paper copies of the bidding results will be secured in the Auction Manager's office.

AEP Ohio will receive the Commission Consultant's report, if one is produced, redacted only for confidential information to which AEP Ohio does not otherwise have access, so that AEP Ohio may provide comments to ensure accuracy.

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. The Auction Manager will confirm the auction clearing prices and provide contact information for the winning bidders so as to enable AEP Ohio to contact the winning bidders to execute necessary documents.

4. GENERAL PUBLIC AND MEDIA

While bidding is in progress, there shall be no communication with the media or the public other than notification when the bidding begins. After the auction is completed, results are accepted by the Commission, and bidders have been notified, all media inquiries will be forwarded to AEP Ohio.

4.1 The CBP Website

The central source of information made available publicly and to bidders is the CBP website. The Auction Manager will manage the information flow on the CBP website and will be designated on the CBP website as the point of contact for any questions or inquiries from parties. Any party will have access to the public sections of the CBP website. The CBP website also may have a restricted, non-public section that will be accessible only to Registered Bidders.

4.2 Subscribers

If a party wishes to receive notices and updates regarding public information and new postings to the CBP website, then the party can register through the CBP website to become a Subscriber.

The Auction Manager will send any announcements regarding the auction process to Subscribers. The method of such communication will be via email using the bcc email field so identification of Subscribers is not disclosed to other Subscribers. Further, the announcements will be posted to the CBP website.

4.3 Media

AEP Ohio and/or the Auction Manager may issue one or more notices or may place ads in the trade press with the intent to disseminate information about the auction in an efficient, fair, and timely manner. Such notices or ads would be for the purpose of outreach to suppliers that may become potential bidders in the CBP.

Inquiries from the media to the Auction Manager will be directed to AEP Ohio. AEP Ohio may grant interviews to the press or respond to press inquiries. The interviews and responses to press inquiries are limited to public information regarding the auctions. AEP Ohio may require that the Auction Manager, who is to provide support in promotion efforts, participate in interviews and press inquiries. AEP Ohio has complete discretion to provide their customers and security analysts with public information regarding the auctions.

4.4 General Public

Inquiries from the general public to the Auction Manager will be directed to the CBP website.

AEP Ohio CBP – Communications Protocols

Direct questions from parties not directly participating in the auction process, such as the general public, customers, utilities in other jurisdiction, etc. will be answered by the Auction Manager on a best-effort basis. Questions from potential bidders will always be answered first. The Auction Manager has the discretion not to publish a question and answer on the FAQ section of the CBP website if the Auction Manager determines that the question does not provide material information and is not of interest to bidders.

5. BIDDERS

5.1 Communications between the Auction Manager and Bidders

The central source of information for bidders is the CBP website. The website will facilitate making information available equally to bidders in a timely manner.

Bidders will automatically be considered Subscribers and receive ongoing information about the auction process. As discussed above, once registered through the CBP website, Subscribers will receive notifications from the Auction Manager providing updates to the auction process and to the CBP website.

If the Auction Manager receives an inquiry from a bidder, the Auction Manager will respond to the bidder via email. The Auction Manager will post the question and answer on the CBP website without revealing the identity of the questioner, ensuring that the information will be made available equally to all bidders in a timely manner. The Auction Manager has the discretion not to publish a question and answer on the FAQ section of the CBP website if the Auction Manager determines that the question does not provide material information or is not of interest to bidders.

In addition to posting information to the CBP website, the Auction Manager may contact bidders directly in order to seek or provide information about the auction in a way that does not advantage any bidder.

5.2 Frequently Asked Questions

Among other information and resources on the CBP website, there will be an “FAQ” (frequently asked questions) section with posted questions and answers. As responses are provided to inquiries, they will be converted into an FAQ and posted to the CBP website without revealing the identity of the party posing the inquiry. Questions and responses from any bidder information session will also be posted to the FAQ section of the CBP website.

When an inquiry is received, the Auction Manager drafts a response whenever possible. The Auction Manager forwards the inquiry and draft response to AEP Ohio, without revealing the identity of the questioner. The Auction Manager and AEP Ohio will agree on procedures to endeavor to provide a response to bidder inquiries within two (2) business days of receipt of the inquiry by the Auction Manager.

5.3 Auction

During the auction, the Auction Manager, the Commission, and the Commission Consultant may monitor the bidding onsite at the Auction Manager’s office.

The Auction Manager will ensure the bids submitted by bidders conform to the rules of the auction.

The CBP Rules will be applied to determine which bids, if any, are winning bids.

6. PUBLIC UTILITIES COMMISSION OF OHIO

6.1 Commission Staff and the Commission Consultant

The Commission may identify individuals from Commission Staff and from the Commission Consultant who will be onsite at the offices of the Auction Manager during the auction or who generally will oversee the conduct and management of the auction process. These individuals will have access to confidential information. These individuals will receive the Communications Protocols and sign the Acknowledgment.

6.2 Communications with the Auction Manager

During the auction, the identity of bidders, prices, and the number of tranches bid by each bidder will be kept confidential. This information will be released on a round-by-round basis to the individuals from Commission Staff and the Commission Consultant present at the Auction Manager's office.

6.3 Communications with AEP Ohio

The Commission may communicate with AEP Ohio regarding the auction process.

6.4 Communications with bidders

The Commission and the Commission Consultant will not communicate with bidders about the auction process prior to the close of the auction. If a bidder attempts to contact the Commission or the Commission Consultant by phone, email, fax, or other means, the Commission or the Commission Consultant will direct the bidder to the CBP website and/or to the Auction Manager.

6.5 Information on Auction Participation

The Auction Manager will provide to the Commission and the Commission Consultant the list of Qualified Bidders, the list of Registered Bidders, and the aggregate initial eligibility in the auction. The Auction Manager may also provide additional information regarding the indicative offers and preliminary interests in each product. In order to maintain confidential and proprietary information provided by bidders as part of the auction process, the identity of bidders that were successful in the Part 1 and/or Part 2 Application process, the indicative offers and the preliminary interests will be kept confidential unless released publicly by the Commission. The Commission may elect to keep these data confidential at its sole discretion.

6.6 Auction and Post-Auction

Actual round-by-round bids by bidders will be kept confidential pursuant to the confidentiality provisions of the CBP Rules and the Master SSO Supply Agreement for as long as AEP Ohio continues to procure energy for SSO customers through this competitive bidding process.

Shortly after the close of the auction, the Auction Manager will provide the identity of the winning bidders and the number of tranches won by each winning bidder to the Commission and the Commission Consultant.

The Commission may receive from the Commission Consultant a post-auction report. The Auction Manager shall review the Commission Consultant's post-auction report in un-redacted, draft form in order to provide comments prior to the final version. The Auction Manager prepares a report on the auction results for the Commission. The Auction Manager advises the winning bidders in the auction when the report has been transmitted to the Commission.

Upon acceptance of the results, the Auction Manager will notify each winning bidder of how many tranches the bidder has won and the Auction Manager will confirm the auction clearing prices. The Auction Manager also will notify the unsuccessful bidders that they have not won any tranches.

7. APPENDIX A

ACKNOWLEDGMENT AND CONFIDENTIALITY AGREEMENT

I acknowledge that I have read and understand the Communications Protocols and obligations regarding the treatment and communication of confidential information related to the auctions under the CBP to procure full requirements supply for AEP Ohio's SSO customers.

I certify that I will abide by the terms and conditions of the Communications Protocols and that I will treat and communicate confidential information as specified in these Communications Protocols.

I acknowledge that I am subject to injunctive action/relief to enforce this confidentiality agreement, as well as liability from parties participating in the auctions under the CBP to procure full requirements supply for AEP Ohio's SSO customers, should I be found in violation of these Communications Protocols.

Name

Company

Signature

Date

Please return the signed form to the Auction Manager at: AEP-CBP@nera.com

Process for Submission of Alternate Forms of Guaranty

Overview

Any bidder can utilize the safe harbor provided by the standard form of guaranty appended to the Master SSO Supply Agreement. Ohio Power Company (“AEP Ohio”) will allow a bidder to submit an alternate form of guaranty for AEP Ohio’s consideration. To be acceptable to AEP Ohio, such an alternate form of guaranty must provide sufficient assurance of payment and must provide protections to AEP Ohio and its customers that are substantially similar to those provided by the standard form of guaranty.

AEP Ohio takes into account several general considerations, including whether the alternate form of guaranty fulfills the following minimum requirements:

1. The alternate guaranty must be a financial guaranty; performance guarantees are not acceptable.
2. The alternate guaranty must be an unconditional guaranty of payment of all amounts due by the SSO Supplier to AEP Ohio under the Master SSO Supply Agreement. The Master SSO Supply Agreement must be expressly identified and the satisfaction of obligations through performance may not be authorized.
3. The alternate guaranty may be terminated upon not less than thirty (30) days advance written notice to AEP Ohio and termination shall not discharge liabilities and obligations of the Guarantor that have been incurred up to and including the effective date of the termination.
4. The alternate guaranty must be accompanied by a certification from the guarantor that this form of guaranty, subject to changes needed to conform to these minimum requirements or to the specific requirements that AEP Ohio sets forth in any requested modification, has been in general use by the submitting party in its ordinary course of business over the past twelve months.
5. The alternate guaranty must be a guaranty of payment and not of collection.
6. Assignment of the alternate guaranty shall not be permitted except with the prior written consent of AEP Ohio.
7. The proposing party must provide an enforceability opinion, with respect to the alternate form of guaranty, from its outside counsel. The enforceability opinion must be from a law firm of national (i.e., United States) standing. The proposing party must name the law firm that is offering the enforceability opinion in its submission. The enforceability opinion must not be weaker than would be the industry norm and must contain only those qualifications that would be typical. The opinion shall name AEP Ohio and explicitly state that AEP Ohio is entitled to rely on the opinion.

At the time that the proposing party submits its alternate form of guaranty and supporting documentation, the opinion may be unsigned. If the proposing party becomes a winner in an auction under AEP Ohio’s CBP, in order for this alternate form of guaranty to be used by the proposing party, at the time of submission of the alternate form of guaranty, the enforceability opinion must be provided duly signed and on letterhead of a law firm of national standing.

Process

The alternate forms of guaranty will be reviewed in accordance with the following process:

- Upon receipt of an alternate form of guaranty, the Auction Manager will redact the proposed alternate form of guaranty to remove any information identifying the proposing party. The Auction Manager will then forward the redacted version to representatives of AEP Ohio and, if applicable, to outside counsel that AEP Ohio may retain on its behalf.
- The AEP Ohio representatives will determine, with the consultation of outside counsel as necessary, whether the alternate form of guaranty provides sufficient assurances of payment, taking into account the following general considerations:
 - i. whether the alternate form of guaranty conforms with the specific requirements identified by AEP Ohio (listed above);
 - ii. whether the alternate form of guaranty provides substantially similar credit protections to the credit protections provided to AEP Ohio by the standard form of guaranty; and
 - iii. whether the alternate form of guaranty includes defenses in favor of the Guarantor not found in the standard form of guaranty. The AEP Ohio representatives may also identify specific changes that would permit the alternate form of guaranty to be acceptable, if such changes are of a limited nature.
- The AEP Ohio representatives shall inform the Auction Manager of their decision no later than six (6) business days following the deadline for submission of alternate forms of guaranty.
- Upon receipt of AEP Ohio's decision, the Auction Manager will notify the proposing party. AEP Ohio's decision will state:
 - i. The proposed alternate form of guaranty is acceptable to AEP Ohio in the form as submitted; or
 - ii. The proposed alternate form of guaranty is not acceptable to AEP Ohio in the form in which it was submitted, but would be acceptable subject to specific changes of a minor nature. The correspondence from the Auction Manager will set forth the required changes; or
 - iii. The proposed alternate guaranty is not acceptable to AEP Ohio.
- If specific changes are required to the proposed alternate guaranty, the proposing party will have the opportunity to resubmit the alternate guaranty form with changes required by AEP Ohio on the business day following the business day during which the Auction Manager notified the proposing party of AEP Ohio's decision. No later than three (3) business days after the proposing party's resubmission, the Auction Manager will notify the proposing party of AEP Ohio's final decision.

Use of Alternate Form of Guaranty

If the alternate form of guaranty submitted by a bidder is approved through the process described in this document:

- The Auction Manager will keep on file the alternate form of guaranty as approved by AEP Ohio.
- If the bidder wins at the auction, the bidder is solely responsible for its guarantor using the alternate form of guaranty exactly as approved. AEP Ohio will reject an alternate form of guaranty that is not exactly as approved or that is not accompanied by an enforceability opinion duly signed and on letterhead of a law firm of national standing. In such a case, the bidder will be required to fulfill the creditworthiness requirements of the Master SSO Supply Agreement using the standard form of guaranty appended to the Master SSO Supply Agreement, or a letter of credit, or cash.
- An alternate form of guaranty approved through this process is acceptable to AEP Ohio for purposes of all auctions under AEP Ohio’s current CBP barring changes in applicable law or Commission-approved changes to the CBP.
- A bidder that obtains approval for alternate form of guaranty will receive a copy of the text of this alternate form of guaranty as approved by AEP Ohio with its Part 1 Notification prior to each auction under AEP Ohio’s current CBP.

Timetable

The following timetable ensures that bidders know whether their alternate forms of guaranty have been accepted before Part 1 Applications are due. **The deadline to submit an alternate form of guaranty, with all supporting documentation, is 12 PM (noon) (EPT) on [DAY 0].**

Activity or Decision Point	Timing (in business days)
Deadline to submit alternate form of guaranty and all required documentation	Day 0
Auction Manager informs proposing parties of status of submission	Day 6
Deadline to submit required modifications or revisions to the alternate form of guaranty or supporting documentation	Day 8
Auction Manager informs proposing parties of AEP Ohio’s final decision	Day 11
Part 1 Window Opens	Day 16

AEP Ohio CBP – Part 1 Form

Name of Applicant

PART 1 FORM

PART 1 DATE: August 19, 2014

Ohio Power Company (“Company” or “AEP Ohio”) is procuring full requirements service for its Standard Service Offer (“SSO”) customers through a competitive bidding process (“CBP”), consistent with the Opinions and Orders of the Public Utilities Commission of Ohio (“PUCO” or “Commission”) in Case No. _____.

The Part 1 Application consists of the online Part 1 Form and attachments that are uploaded to the application website. Before completing the Part 1 Form, please review the CBP Rules and the Master SSO Supply Agreement so that you understand the conditions under which the auction will be conducted. Terms not explicitly defined in the Part 1 Form are defined in the Glossary, the CBP Rules, or the Master SSO Supply Agreement. These documents are posted to www.AEPOhioCBP.com as they become available.

By completing and signing the Part 1 Form, you agree to the CBP Rules and agree to accept the provisions contained in the Master SSO Supply Agreement.

Information and materials that you submit in the Part 1 Application may be provided on a confidential basis to the Commission and their representatives. Financial and credit information submitted with the Part 1 Application will be provided on a confidential basis to representatives of AEP Ohio for a creditworthiness assessment. The Commission, the Commission Consultant, and representatives of AEP Ohio will receive a list of Qualified Bidders.

Upon completion of the Part 1 Application process, the names of Qualified Bidders will be provided to other Qualified Bidders on a confidential basis. As part of this Part 1 Application, you are required to certify that you will keep confidential the list of Qualified Bidders that will be provided to you.

AEP Ohio CBP – Part 1 Form

Name of Applicant

INSTRUCTIONS FOR APPLICATION

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 exclusive method for an Applicant to respond to the qualification standards required in the Part 1 Application is by completing the online Part 1 Form and uploading the required attachments to the application website. Applicants will be provided logon credentials for the application website upon providing an expression of interest to the Auction Manager. In the online Part 1 Form, an Applicant may provide contact information for up to four (4) individuals to be included in electronic communications from the Auction Manager.

PLEASE COMPLETE ALL SECTIONS. IF A SECTION DOES NOT PERTAIN TO YOU, YOU WILL BE REQUIRED TO CHECK A BOX AND MOVE ON TO THE NEXT SECTION.

I. Part 1 Application Submission

All Applicants are expected to use the online Part 1 Form to submit the Part 1 Application including all necessary documents. Applicants must:

- Submit **one (1) Expression of Interest** requesting logon credentials to the application website by emailing AEP-CBP@nera.com;
- Complete the online Part 1 Form in its entirety;
- Upload to the application website **one (1) electronic copy** of documents required to support the Part 1 Form as specified in Section 1.5, Section 1.6, and Section 1.7; and
- Sign and upload to the application website **one (1) electronic copy** of the signature pages provided by the Auction Manager upon submission of the online Part 1 Form. **The Part 1 Application is not complete until all such signature pages have been duly completed and uploaded to the application website.**

A “day” is a business day and all times are Eastern Prevailing Times (“EPT”).

The online Part 1 Form MUST be received by the Auction Manager no later than 12 PM (noon) EPT on August 19, 2014 (the Part 1 Date).

Inquiries may be directed to the Auction Manager by:

- telephone (215) 568-0200
- through the “Ask a Question” page on the CBP website at www.AEPOhioCBP.com

AEP Ohio CBP – Part 1 Form

Name of Applicant

II. Part 1 Application Submission**Notifications**

The Auction Manager, for the purposes of the auction, provides all notifications to the Representative by email. Any notification or other written communication from the Auction Manager to an Applicant that is sent by email will be sent to the email address provided for the Representative and the Representative's Nominee(s). Any such notification or communication will be deemed received by the Applicant 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. Any communication from the Applicant 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.

Acknowledgment of Receipt

The exclusive method for an Applicant to respond to the qualification standards required in the Part 1 Application is by completing the online Part 1 Form and uploading the required attachments to the application website. The attachments consist of the supporting documents required by Section 1.5, Section 1.6, and Section 1.7 of the Part 1 Form as well as signature pages provided by the Auction Manager. The "Part 1 Materials" consist of information submitted through the online Part 1 Form as well as the supporting documents as specified by Section 1.5, Section 1.6, and Section 1.7 of the Part 1 Form. Upon first submission of Part 1 Materials, the Auction Manager acknowledges receipt by email.

Timing of Part 1 Application Review

The last day of the Part 1 Window is called the Part 1 Date. If Part 1 Materials are received before 12 PM (noon) on any day during the Part 1 Window, the Auction Manager acknowledges receipt on the day the materials are received with the results of an initial review and with any signature pages that the Auction Manager can prepare on the basis of the information provided to that point in the Part 1 Form. If Part 1 Materials are received after 12 PM (noon) on any day during the Part 1 Window prior to the Part 1 Date, the Auction Manager sends the acknowledgment of receipt along with the initial review and any signature pages that the Auction Manager can prepare on the basis of the information provided to that point in the Part 1 Form by 12 PM (noon) of the next day. Once the Part 1 Application is complete, including a complete online Part 1 Form, all supporting documents and signature pages, the Auction Manager sends a notice that the Part 1 Application is complete and is being considered.

AEP Ohio CBP – Part 1 Form

Name of Applicant

Deficiencies in the Part 1 Materials

If the Part 1 Materials are incomplete or require clarification, the Auction Manager sends a deficiency notice to the Applicant. If an Applicant receives a first deficiency notice from the Auction Manager regarding any item of the Part 1 Materials, the Applicant has until 12 PM (noon) on the Part 1 Date, or until 6 PM on the day following the business day during which such deficiency notice is sent to the Applicant, whichever comes later, to respond. If the Applicant does not correct or adequately explain the deficiency within the time allowed, the Part 1 Application may be rejected.

Signature Pages

The Auction Manager provides signature pages to the Applicant that the Auction Manager prepares on the basis of information submitted in the online Part 1 Form. The Applicant has until 12 PM (noon) on the Part 1 Date, or until 6 PM on the day following the business day during which the Auction Manager provides a signature page, whichever comes later, to upload the completed signature page to the application website. If the signature page does not conform to the requirements or if the Applicant fails to upload a signature page, the Auction Manager sends a deficiency notice to the Applicant. If an Applicant receives a first deficiency notice from the Auction Manager regarding a signature page, the Applicant has until 12 PM (noon) on the Part 1 Date, or until 6 PM on the day following the business day during which such deficiency notice is sent to the Applicant, whichever comes later, to respond. If the Applicant does not correct or adequately explain the deficiency within the time allowed, the Part 1 Application may be rejected.

Late Part 1 Applications

No late Part 1 Applications will be accepted under any circumstances.

Part 1 Notification

An Applicant is qualified as a bidder pursuant to a successful Part 1 Application if its Part 1 Materials are received on or before 12 PM (noon) on the Part 1 Date and if its Part 1 Application is complete. All Applicants that successfully complete the Part 1 Application become Qualified Bidders. The Auction Manager notifies each Applicant regarding its status by the Part 1 Notification Date.

AEP Ohio CBP – Part 1 Form

Name of Applicant

PART 1 FORM

1.1 Basic Applicant Information

Name of Applicant (company name)

Legal Name of Applicant (If different from above)

Place of Incorporation (If applicable)

Federal Tax I.D.

D&B DUNS #

Please state whether the Applicant is a corporation, partnership, etc.

Years in Business

URL for Applicant's Website

Is the legal or trade name provided above for the Applicant expected to change from now until the Commission renders a decision on the results of the auction?

Yes No

IF NO, PLEASE PROCEED TO SECTION 1.2.

IF YES, PLEASE PROVIDE THE FOLLOWING INFORMATION.

New Name of Applicant

Expected Date of Name Change

Please be advised that if the Applicant becomes a Qualified Bidder, the Applicant will be required to notify the Auction Manager when the change to its name, as disclosed above, has been effected, and to provide evidence of the change. The Applicant is also required to advise the Auction Manager if the change to the Applicant's name, as disclosed above, does not occur on the expected date.

AEP Ohio CBP – Part 1 Form

Name of Applicant

1.2 Designation of the Applicant’s Representative

THIS CERTIFICATION SHOULD BE SIGNED BY AN OFFICER OR DIRECTOR OF THE APPLICANT AND SHOULD BE NOTARIZED. THE PERSON MAKING THIS CERTIFICATION CANNOT BE THE REPRESENTATIVE OR ANY OF THE NOMINEES.

I certify that I am an officer or director of the Applicant, empowered to undertake contracts and bind the Applicant. I understand and accept the CBP Rules, and the provisions contained in the Master SSO Supply Agreement pertaining to bidders in the auction.

All the information contained in this Application is true and correct to the best of my knowledge and belief. I designate **[Enter Name of Representative]**, whose contact information is immediately below, to act as the Representative of the Applicant in the auction.

Signature of Officer or Director

Date

Name

Title

Signature and Seal from Notary Public

Date

Contact Information for Applicant’s Representative

Last Name

Given Name(s)

Title

Street Address

City

State

Zip Code

Telephone No.

Cell Phone No. (optional)

Email Address

AEP Ohio CBP – Part 1 Form

Name of Applicant

1.3 Representative

In the previous section, an officer of the Applicant designates the Representative to represent the Applicant in the auction held under AEP Ohio's CBP. The Auction Manager provides all notifications to the Representative. Any notification or other written communication from the Auction Manager that is sent by email will be sent to the email address provided for the Representative. Furthermore, the Representative may authorize up to three (3) individuals to be Nominee(s) by using Appendix B to the Part 1 Form and certifying that any such Nominee is authorized to act on behalf of the Applicant. Should the Representative designate Nominees, the Auction Manager will send any notification or other written communication to such Nominees as well. The Auction Manager provides to successful Applicants materials for participation in the auction, including a Bidder User Manual and Confidential Information required for the submission of bids. The Auction Manager provides these materials to the Representative and the Representative is the only person at the Applicant authorized to distribute such materials to other authorized personnel of the Applicant in accordance with the undertakings required of each Applicant for the handling of Confidential Information, as further explained in the CBP Rules. The Auction Manager also provides these materials to the Nominees should the Representative elect to receive these materials by secure electronic file transfer.

First Item: Method of Communication

PLEASE ELECT THE METHOD BY WHICH THE AUCTION MANAGER WILL PROVIDE DOCUMENTS NECESSARY FOR PARTICIPATION IN THE AUCTION SUCH AS THE BIDDER USER MANUAL. These documents are either provided electronically by secure electronic file transfer or these documents are saved to a CD and sent by overnight delivery service. If the Representative elects to receive such documents by secure electronic file transfer, the Auction Manager also provides these materials to any Nominee. **PLEASE CHOOSE ONE OPTION.**

secure electronic file transfer OR overnight delivery service

Is the Representative designating at this time Nominee(s) who will be copied on all electronic communications from the Auction Manager?

Yes No

IF YES, PLEASE FULLY COMPLETE APPENDIX B TO THE PART 1 FORM, WHICH CAN BE FOUND AT THE END OF THIS PART 1 FORM.

AEP Ohio CBP – Part 1 Form

Name of Applicant

Second Item: Acknowledgment of Representative Responsibilities

THIS CERTIFICATION MUST BE SIGNED BY THE REPRESENTATIVE AND THE SIGNATURE MUST BE NOTARIZED.

I hereby certify that I am authorized by the Applicant to serve as Representative, to represent the Applicant: (i) generally in the auction held under AEP Ohio’s CBP, and (ii) in particular for purposes of this Part 1 Application.

If there are material changes to the Applicant’s information provided in this Part 1 Application, I agree to notify the Auction Manager as soon as practicable.

I further certify that I will be responsible for all Confidential Information Regarding the Auction provided to me or my Nominee(s) including Confidential Information for the submission of bids and that I will ensure that this Confidential Information is only distributed to other individuals who are authorized to act on behalf of the Applicant according to the rules for the handling of Confidential Information included in the CBP Rules.

Signature of Representative

Date

Signature and Seal from Notary Public

Date

AEP Ohio CBP – Part 1 Form

Name of Applicant

1.4 Applicant’s Legal Representative in Ohio

The Applicant’s Legal Representative in Ohio:

- must be either legal counsel or a representative agent;
- must have an address in Ohio; and
- must be authorized and agree to accept service of process on the Applicant’s behalf.

Is the Applicant’s Representative also the Applicant’s legal counsel or a representative agent?

Yes No

IF YES, PLEASE PROCEED TO SECTION 1.5.

IF NO, PLEASE PROVIDE THE FOLLOWING INFORMATION.

The person designated below is the Applicant’s legal counsel or a representative agent.

Last Name

Given Name(s)

Title

Company Name

Street Address

City

State

Zip Code

Telephone No.

Fax No.

Email Address (optional)

THIS CERTIFICATION MUST BE SIGNED BY THE LEGAL COUNSEL OR A REPRESENTATIVE AGENT AND THE SIGNATURE MUST BE NOTARIZED. IF A COMPANY AGREES TO ACCEPT SERVICE OF PROCESS ON BEHALF OF THE APPLICANT, AN INDIVIDUAL FROM THAT COMPANY MUST SIGN BELOW. THE NAME OF THE INDIVIDUAL AND CONTACT INFORMATION MUST BE PROVIDED.

I agree to serve as legal counsel or a representative agent of the Applicant. I am authorized and I agree to receive service of process on the Applicant’s behalf.

Signature of legal counsel
or representative agent

Date

Signature and Seal from Notary Public

Date

AEP Ohio CBP – Part 1 Form

Name of Applicant

1.5 General Requirements to Participate in the Auction

FOR EACH OF THE ITEMS BELOW, IF THE NAME OF THE ENTITY ON THE REQUESTED DOCUMENTATION DOES NOT MATCH THE NAME OF THE APPLICANT, PLEASE PROVIDE EVIDENCE OF A NAME CHANGE.

First Item: PJM Requirements

Is the Applicant currently a PJM member in good standing and qualified by PJM as a “Market Buyer” and “Market Seller” pursuant to PJM Agreements and qualified as a PJM “Load Serving Entity”?

Yes No

IF YES, PLEASE PROVIDE DOCUMENTATION FROM PJM THAT THE APPLICANT IS QUALIFIED AS A “MARKET BUYER” AND “MARKET SELLER” AND A PJM “LOAD SERVING ENTITY”.

IF NO, PLEASE PROVIDE THE FOLLOWING CERTIFICATION.

I certify that there exist no impediments for the Applicant to be qualified by PJM as a “Market Buyer” and “Market Seller” pursuant to PJM Agreements and to be qualified as a PJM “Load Serving Entity” by the start of the supply period. The Applicant undertakes to be qualified by PJM as a “Market Buyer”, a “Market Seller” pursuant to PJM Agreements, and to be qualified as a PJM “Load Serving Entity” by the start of the supply period should the Applicant become an SSO Supplier.

Signature of Representative
of Applicant that is not currently qualified
by PJM as “Market Buyer” and “Market Seller”
or that is not a PJM “Load Serving Entity”

Date

AEP Ohio CBP – Part 1 Form

Name of Applicant

Second Item: Additional Certifications

PLEASE CERTIFY THE FOLLOWING.

I certify that:

- a) The Applicant and its corporate officers have no indictments or pending criminal litigation in any federal, state or local jurisdiction relating to the Applicant;
- b) The Applicant and its corporate officers have no criminal convictions;
- c) The Applicant has no civil penalties, judgments, sanctions or consent decrees arising out of the violation of any law, rule, regulation or ordinance in connection with its business activities;
- d) The Applicant has not had any permit or authority to do business in any jurisdiction revoked or suspended; and
- e) The Applicant has never been barred from public bidding, or from bidding in a competitive bidding process for procurement of SSO or Default type service, or sanctioned for unauthorized disclosure of confidential information.

Signature of Representative

Date

IF YOU ARE UNABLE TO MAKE ONE OR MORE OF THESE CERTIFICATIONS, PLEASE STATE WHICH CERTIFICATIONS YOU ARE UNABLE TO MAKE AND EXPLAIN ALL REASONS IN THE SPACE GIVEN BELOW.

AEP Ohio CBP – Part 1 Form

Name of Applicant

1.6 Financial and Credit Information

First Item: Name of Entity on Whose Financial Standing the Applicant is Relying (the “Entity”)

FOR PURPOSES OF A CREDITWORTHINESS EVALUATION, THE APPLICANT MUST CLEARLY SELECT WHETHER THE APPLICANT IS RELYING ON ITS OWN FINANCIAL STANDING OR RELYING ON THE FINANCIAL STANDING OF A GUARANTOR.

Is the Applicant relying on the financial standing of a Guarantor?

Yes No

IF YES, THE ENTITY IS THE GUARANTOR, AND YOU MUST PROVIDE ALL INFORMATION REQUIRED BY THIS ITEM. IF NO, THE ENTITY IS THE APPLICANT, AND YOU MAY PROCEED DIRECTLY TO THE SECOND ITEM IN THIS SECTION.

Name of Guarantor

Legal Name of Guarantor (if different from above)

Place of Incorporation, if applicable

Federal Tax I.D.

D&B DUNS #

Please state whether Guarantor is corporation, partnership, etc.

Years in Business

The person designated below is a representative of the Guarantor.

Last Name

Given Name(s)

Title

Street Address

City

State

Zip Code

Telephone No.

Fax No.

Email Address

AEP Ohio CBP – Part 1 Form

Name of Applicant

Second Item: Financial Information

PLEASE UPLOAD THE REQUESTED INFORMATION TO THE APPLICATION WEBSITE.

PLEASE PROVIDE THE FOLLOWING INFORMATION FOR THE ENTITY ON WHOSE FINANCIAL STANDING YOU ARE RELYING (THE APPLICANT OR THE GUARANTOR):

- a) The Entity’s most recent SEC Form 10-K; if unavailable, please provide the most recent audited annual financial information (including a balance sheet, income statement, and cash flow statement).
- b) The Entity’s most recent SEC Form 10-Q; if unavailable, please provide the most recent audited quarterly financial information (including a balance sheet, income statement, and cash flow statement); if both an SEC Form 10-Q and audited quarterly financial information are unavailable, please provide the most recent quarterly or monthly financial data accompanied by an attestation by the Entity’s Chief Financial Officer that the information submitted is true, correct and a fair representation of the Entity’s financial condition.
- c) The following financial information for the Entity along with page references to the relevant financial filings submitted;

	Amount (\$)	Financial Document Page Number	Financial Document Source	Date of Financial Document Source
Goodwill				
Shareholders’ Equity				
Net Intangible Assets				

IF THE APPLICANT IS RELYING ON ITS OWN FINANCIAL STANDING, AND IF FINANCIAL INFORMATION IS UNAVAILABLE FOR THE APPLICANT, THE APPLICANT MUST CLEARLY STATE THIS FACT IN THE BOX BELOW. IF THE APPLICANT IS RELYING ON THE FINANCIAL STANDING OF A GUARANTOR, FINANCIAL INFORMATION MUST BE AVAILABLE FOR THE GUARANTOR.

AEP Ohio CBP – Part 1 Form

Name of Applicant

Third Item: Credit Ratings

PLEASE PROVIDE ALL AVAILABLE RATINGS FROM STANDARD & POOR'S RATINGS SERVICES ("S&P"), MOODY'S INVESTORS SERVICE, INC. ("MOODY'S"), AND FITCH RATINGS ("FITCH") FOR THE ENTITY ON WHOSE FINANCIAL STANDING YOU ARE RELYING (THE APPLICANT OR THE GUARANTOR).

1. Is the Entity rated by S&P?

Yes No

IF YES, PLEASE PROVIDE SENIOR UNSECURED DEBT RATING OR, IF UNAVAILABLE, CORPORATE OR ISSUER RATING:

- The Entity's rating: _____

2. Is the Entity rated by Moody's?

Yes No

IF YES, PLEASE PROVIDE SENIOR UNSECURED DEBT RATING OR, IF UNAVAILABLE, CORPORATE OR ISSUER RATING:

- The Entity's rating: _____

3. Is the Entity rated by Fitch?

Yes No

IF YES, PLEASE PROVIDE SENIOR UNSECURED DEBT RATING OR, IF UNAVAILABLE, CORPORATE OR ISSUER RATING:

- The Entity's rating: _____

AEP Ohio CBP – Part 1 Form

Name of Applicant

Fourth Item: Additional Information Regarding the Applicant

Is the Applicant and/or its parent (if applicable):

	Applicant		Parent	
	Yes	No	Yes	No
Operating under federal bankruptcy laws or bankruptcy laws in any other jurisdiction?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Subject to pending litigation or regulatory proceedings (in state court, or in federal court, or from regulatory agencies, or in any other jurisdiction) which could materially impact the Applicant's and/or its parent's financial condition?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Subject to collection lawsuits or outstanding judgments which could impact solvency?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

PLEASE PROVIDE A STATEMENT DISCLOSING ANY EXISTING, PENDING OR PAST ADVERSE RULINGS, JUDGMENTS, LITIGATION, CONTINGENT LIABILITIES, REVOCATIONS OF AUTHORITY, ADMINISTRATIVE, REGULATORY (STATE, FERC, SEC OR DOJ) INVESTIGATIONS AND ANY OTHER MATTERS RELATING TO FINANCIAL OR OPERATIONAL STATUS FOR THE PAST THREE YEARS THAT ARISE FROM THE SALE OF ELECTRICITY OR NATURAL GAS, OR THAT MATERIALLY AFFECT CURRENT FINANCIAL OR OPERATIONAL STATUS OF THE APPLICANT (IF APPLICABLE).

AEP Ohio CBP – Part 1 Form

Name of Applicant

Fifth Item: Additional Information Regarding the Guarantor

Is the Applicant relying on the financial standing of a Guarantor?

Yes No

IF YES, PLEASE COMPLETE ALL INFORMATION REQUIRED BY THIS ITEM.

IF NO, PLEASE PROCEED TO NEXT ITEM.

Is the Guarantor and/or its parent (if applicable):

	Guarantor		Parent	
	Yes	No	Yes	No
Operating under federal bankruptcy laws or bankruptcy laws in any other jurisdiction?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Subject to pending litigation or regulatory proceedings (in state court, or in federal court, or from regulatory agencies, or in any other jurisdiction) which could materially impact the Guarantor's and/or its parent's financial condition?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Subject to collection lawsuits or outstanding judgments which could impact solvency?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

PLEASE PROVIDE A STATEMENT DISCLOSING ANY EXISTING, PENDING OR PAST ADVERSE RULINGS, JUDGMENTS, LITIGATION, CONTINGENT LIABILITIES, REVOCATIONS OF AUTHORITY, ADMINISTRATIVE, REGULATORY (STATE, FERC, SEC OR DOJ) INVESTIGATIONS AND ANY OTHER MATTERS RELATING TO FINANCIAL OR OPERATIONAL STATUS FOR THE PAST THREE YEARS THAT ARISE FROM THE SALE OF ELECTRICITY OR NATURAL GAS, OR THAT MATERIALLY AFFECT CURRENT FINANCIAL OR OPERATIONAL STATUS OF THE GUARANTOR (IF APPLICABLE).

AEP Ohio CBP – Part 1 Form

Name of Applicant

Sixth Item: Draft Pre-Bid Security Documents

Are you submitting Draft Pre-Bid Security Documents to request modifications to the standard forms of the pre-bid letter of credit, the letter of intent to provide a guaranty, or the letter of reference?

Yes **No**

IF YES, PLEASE SEE ADDITIONAL INFORMATION PROVIDED IN APPENDIX A AND UPLOAD THE DRAFT PRE-BID SECURITY DOCUMENTS TO THE APPLICATION WEBSITE.

AEP Ohio CBP – Part 1 Form

Name of Applicant

1.7 Foreign Applicants and Foreign Guarantors

Is the Applicant a foreign entity (a “Foreign Applicant”)?

Yes No

Is the Applicant relying on the financial standing of a foreign entity (“Foreign Guarantor”)?

Yes No

IF NO TO BOTH QUESTIONS, PLEASE PROCEED TO THE NEXT SECTION.

IF YES TO ONE OR BOTH OF THESE QUESTIONS, PLEASE COMPLETE ALL INFORMATION REQUIRED IN THIS SECTION.

First Item: Evidence of Creditworthiness

A Foreign Applicant or an Applicant relying on the financial standing of a Foreign Guarantor may provide any additional evidence of creditworthiness for the Foreign Applicant or the Foreign Guarantor so as to provide AEP Ohio with comparable assurances of creditworthiness as is applicable for an entity that has been incorporated or otherwise formed under the laws of a state of the United States or of the District of Columbia.

Are you submitting additional evidence of creditworthiness for the Foreign Applicant or for a Foreign Guarantor on whose financial standing the Applicant relies?

Yes No

Second Item: Representations and Required Documents for Foreign Applicant

Is the Applicant a Foreign Applicant?

Yes No

IF NO, PLEASE PROCEED TO THE NEXT ITEM.

IF YES, PLEASE COMPLETE ALL INFORMATION REQUIRED BY THIS ITEM.

THE REPRESENTATIVE OF THE FOREIGN APPLICANT MUST MAKE THE FOLLOWING CERTIFICATION:

I acknowledge that if the Foreign Applicant becomes an SSO Supplier, the Foreign Applicant will supply the following to AEP Ohio under the Master SSO Supply Agreement:

(i) 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) the Master SSO Supply Agreement is the binding and enforceable obligation of the SSO Supplier in such foreign jurisdiction and does not violate any local law or the SSO Supplier’s organizational or governing documents; and (c) all authorizations, approvals, consents, licenses, exemptions or other requirements of governmental, judicial or public bodies in such foreign jurisdiction have been obtained, and all execution formalities have been duly completed, necessary for the enforcement and validity of the Master SSO Supply Agreement and the performance by the SSO Supplier of its obligations thereunder; and

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Name of Applicant

(ii) the sworn certificate of the corporate secretary (or similar officer) of such SSO Supplier that the person executing the Master SSO Supply Agreement on behalf of the SSO Supplier has the authority to execute the Master SSO Supply Agreement and that the governing board of such SSO Supplier has approved the execution of the Master SSO Supply Agreement.

Signature of Representative of the Foreign Applicant

Date

THE REPRESENTATIVE OF THE APPLICANT HAS ACKNOWLEDGED IN THE IMMEDIATELY PRECEDING CERTIFICATION THAT ADDITIONAL DOCUMENTS ARE REQUIRED UNDER THE MASTER SSO SUPPLY AGREEMENT. THE REPRESENTATIVE OF THE APPLICANT IS REQUIRED TO SUBMIT A DRAFT OF THESE DOCUMENTS WITH ITS PART 1 APPLICATION.

PLEASE CHECK BELOW THE DRAFT DOCUMENTS THAT YOU ARE SUBMITTING WITH YOUR PART 1 APPLICATION:

Draft 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) the Master SSO Supply Agreement is the binding and enforceable obligation of the SSO Supplier in such foreign jurisdiction and does not violate any local law or the SSO Supplier's organizational or governing documents; and (c) all authorizations, approvals, consents, licenses, exemptions or other requirements of governmental, judicial or public bodies in such foreign jurisdiction have been obtained, and all execution formalities have been duly completed, necessary for the enforcement and validity of the Master SSO Supply Agreement and the performance by the SSO Supplier of its obligations thereunder.

Draft sworn certificate of the corporate secretary (or similar officer) of such SSO Supplier that the person executing the Master SSO Supply Agreement on behalf of the SSO Supplier has the authority to execute the Master SSO Supply Agreement and that the governing board of such SSO Supplier has approved the execution of the Master SSO Supply Agreement.

The Auction Manager will provide an assessment of the acceptability of the draft documents with the bidder's Part 1 Notification.

AEP Ohio CBP – Part 1 Form

Name of Applicant

Third Item: Representations and Required Documents for Applicant Relying on Foreign Guarantor

THE REPRESENTATIVE OF THE APPLICANT RELYING ON A FOREIGN GUARANTOR MUST MAKE THE FOLLOWING CERTIFICATION:

I acknowledge that if the Applicant becomes an SSO Supplier, the following must be supplied to AEP Ohio under the Master SSO Supply Agreement in order for the Applicant to rely on the Foreign Guarantor:

- (i) 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 and the Independent Credit Threshold 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 Independent Credit Threshold Guaranty and the performance by the Guarantor of its obligations thereunder; and
- (ii) the sworn certificate of the corporate secretary (or similar officer) of such Guarantor that the person executing the Total Exposure Amount Guaranty and the person executing the Independent Credit Threshold Guaranty on behalf of the Guarantor has the authority to execute the Total Exposure Amount Guaranty and the Independent Credit Threshold Guaranty, and that the governing board of such Guarantor has approved the execution of the Total Exposure Amount Guaranty and the Independent Credit Threshold Guaranty.

Signature of Representative of Applicant relying on
the financial standing of a Foreign Guarantor

Date

THE REPRESENTATIVE OF THE APPLICANT HAS ACKNOWLEDGED IN THE IMMEDIATELY PRECEDING CERTIFICATION THAT ADDITIONAL DOCUMENTS ARE REQUIRED UNDER THE MASTER SSO SUPPLY AGREEMENT. THE REPRESENTATIVE OF THE APPLICANT IS REQUIRED TO SUBMIT A DRAFT OF THESE DOCUMENTS WITH ITS PART 1 APPLICATION.

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Name of Applicant

PLEASE CHECK BELOW THE DRAFT DOCUMENTS THAT YOU ARE SUBMITTING WITH YOUR PART 1 APPLICATION:

Draft 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 and the Independent Credit Threshold 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 Independent Credit Threshold Guaranty and the performance by the Guarantor of its obligations thereunder.

Draft sworn certificate of the corporate secretary (or similar officer) of such Guarantor that the person executing the Total Exposure Amount Guaranty and the person executing the Independent Credit Threshold Guaranty on behalf of the Guarantor has the authority to execute the Total Exposure Amount Guaranty and the Independent Credit Threshold Guaranty, and that the governing board of such Guarantor has approved the execution of the Total Exposure Amount Guaranty and the Independent Credit Threshold Guaranty.

The Auction Manager will provide an assessment of the acceptability of the draft documents with the bidder's Part 1 Notification.

AEP Ohio CBP – Part 1 Form

Name of Applicant

1.8 Additional Certifications

Each Applicant must review the CBP Rules and the Master SSO Supply Agreement so as to understand the conditions under which the auction will be conducted.

- 1. I certify that I understand the terms of the CBP Rules and that the Applicant will comply with these rules.

Signature of Representative

Date

- 2. I certify that I understand the terms of the Master SSO Supply Agreement and that the Applicant accepts its terms. If the Applicant wins at the auction, the Applicant 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 results by the Commission.

Signature of Representative

Date

- 3. I certify that if the Applicant qualifies to participate in the auction, the Applicant 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 Applicant itself), or the fact that an entity has not qualified for participation in the auction.

Signature of Representative

Date

IF UNABLE TO MAKE CERTIFICATION 3, IDENTIFY THE ENTITY RECEIVING SUCH INFORMATION AND EXPLAIN THE REASONS FOR SUCH DISCLOSURE.

AEP Ohio CBP – Part 1 Form

Name of Applicant

- 4. I certify that the Applicant 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.

Signature of Representative

Date

- 5. I certify that if the Applicant becomes a Qualified Bidder, the Applicant 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. The Applicant agrees that any such substitutions, transfers, or assignments shall be null and void and may result in the Applicant's exclusion from auction.

Signature of Representative

Date

The CBP Rules include restrictions on the disclosure of Confidential Information. For purposes of the following certifications, the definition of Confidential Information Relative to Bidding Strategy is provided in Section X.2 of the CBP Rules. This certification must hold until the Commission's decision on auction results.

- 6. I certify that the Applicant will not 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.

Signature of Representative

Date

IF UNABLE TO MAKE CERTIFICATION 6, PLEASE IDENTIFY THE ENTITY RECEIVING SUCH INFORMATION AND EXPLAIN THE REASONS FOR SUCH DISCLOSURE.

AEP Ohio CBP – Part 1 Form

Name of Applicant

7. I certify that, to the extent Confidential Information Relative to Bidding Strategy is disclosed within the Applicant’s organization or to a third party, the Applicant 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 the Applicant's bidding strategy.

Signature of Representative

Date

IF UNABLE TO MAKE CERTIFICATION 7, PLEASE IDENTIFY AND EXPLAIN ANY INSTANCES WHERE SUCH PRECAUTIONS WERE NOT TAKEN AND ANY BREACH OF CONFIDENTIALITY THAT MAY HAVE OCCURRED AS A RESULT.

AEP Ohio CBP – Part 1 Form

Name of Applicant

1.9 Bidding Agreements

Please note that AEP Ohio will not review information provided in this section.

Is the Applicant bidding independently and not as a party to any bidding agreement with another party or through any other arrangement involving joint or coordinated bidding with any other party?

Yes No

IF YES, PLEASE PROCEED TO THE NEXT SECTION.

IF NO, PLEASE COMPLETE ALL INFORMATION REQUIRED IN THIS SECTION.

Please indicate any bidding agreement or any other arrangement in which the Applicant may have entered and that is related to its participation in the auction. An Applicant that has entered into such an agreement or arrangement must name the entities with which the Applicant 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.

Other parties to the arrangement:

Bidding Agreement Bidding Consortium
 Joint Venture Other (define)

If you are part of a bidding agreement, 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, you must nominate below a single party to the bidding agreement, bidding consortium or joint venture to fulfill the creditworthiness requirements.

A representative of the party named above must sign here to acknowledge the fact that this party has agreed to fulfill the creditworthiness requirements:

Signature of representative of the party named above that will fulfill the creditworthiness requirements

Date

AEP Ohio CBP – Part 1 Form

Name of Applicant

2.0 Justification of Omissions

IF YOU ARE UNABLE TO PROVIDE ALL DOCUMENTS OR INFORMATION REQUIRED IN THIS APPLICATION, PLEASE JUSTIFY FULLY ANY OMISSIONS IN THE SPACE PROVIDED BELOW.

AEP Ohio CBP – Part 1 Form**Appendix A – Draft Pre-Bid Security Documents (Optional)**

This process is optional and is not required for the Part 1 Application to be complete.

Applicants may request modifications to the standard forms of the pre-bid letter of credit, the letter of intent to provide a guaranty, or the letter of reference (“Standard Pre-Bid Security Documents”) that are non-material in nature, or that are advantageous to both AEP Ohio and the Applicant. Applicants request modifications to the Standard Pre-Bid Security Document(s) by submitting a draft document(s) substantially in the form of the Standard Pre-Bid Security Document(s) indicating clearly any and all modifications to the Standard Pre-Bid Security Document(s) (“Draft Pre-Bid Security Documents”). A Draft Pre-Bid Security Document that is not substantially in the form of the Standard Pre-Bid Security Document will not be considered or evaluated. The Applicant may only submit one (1) draft document for each Standard Pre-Bid Security Document.

The Draft Pre-Bid Security Document(s) must be submitted electronically, in Microsoft Word with tracked changes, and may be uploaded through the online Part 1 Form website, or may be emailed to the Auction Manager at AEP-CBP@nera.com.

Credit and legal representatives from AEP Ohio will determine whether proposed modifications contained in each Draft Pre-Bid Security Document are acceptable. An Applicant that submits a Draft Pre-Bid Security Document will receive a review of any proposed modifications within three (3) business days. The Auction Manager sends such review by email. Any review communicated to the Applicant of the Draft Pre-Bid Security Document(s) is final. The Applicant cannot submit a subsequent request for changes on the basis of this review.

All approved modifications to the Standard Pre-Bid Security Documents will be posted to the CBP website in a single document that will be updated daily during the Part 1 Window. By 12 PM (noon) on the day the Part 2 Window opens, the final document containing all accepted modifications will be posted. All modifications accepted to the Standard Pre-Bid Security Documents for the benefit of a single Applicant will be made available to all Applicants on an optional basis. Each Applicant may use any of the approved modifications, regardless of whether the Applicant itself or another Applicant proposed the modification.

An Applicant, in its Part 2 Application, must provide the required executed credit documents that either use the Standard Pre-Bid Security Documents or incorporate only those modifications to the Standard Pre-Bid Security Documents that are acceptable to AEP Ohio.

AEP Ohio CBP – Part 1 Form

Appendix B – Nomination Form for Representative’s Nominees (Optional)

This form is optional and is not required for the Part 1 Application to be complete.

In Section 1.3 of the Part 1 Application, you indicated that you are opting to designate Nominees at this time. A Representative may designate up to three (3) authorized individuals who will receive all correspondence from the Auction Manager that is delivered by email or through a secure file transfer interface in addition to the Representative of the Applicant. The Representative may designate other authorized individuals at any time prior to the auction using this Nomination Form and is not required to do so in the Part 1 Application.

<p>I [insert name] (the Representative of the Applicant) authorize the individuals whose contact information is immediately below to receive notifications and documents.</p>	
<p>_____</p> <p>Signature of Representative named in Part 1 Form</p>	<p>_____</p> <p>Date</p>

Contact Information for Nominee #1

<i>Last Name</i>	<i>Given Name(s)</i>	
<i>Title</i>		
<i>Telephone No.</i>	<i>Alternate Telephone No. (if available)</i>	<i>Email Address</i>

IF THE INDIVIDUAL ABOVE IS REPLACING A PREVIOUSLY NAMED NOMINEE, PLEASE SO INDICATE BELOW:

AEP Ohio CBP – Part 1 Form

Contact Information for Nominee #2

Last Name

Given Name(s)

Title

Telephone No.

Alternate Telephone No. (if available)

Email Address

IF THE INDIVIDUAL ABOVE IS REPLACING A PREVIOUSLY NAMED NOMINEE, PLEASE SO INDICATE BELOW:

Contact Information for Nominee #3

Last Name

Given Name(s)

Title

Telephone No.

Alternate Telephone No. (if available)

Email Address

IF THE INDIVIDUAL ABOVE IS REPLACING A PREVIOUSLY NAMED NOMINEE, PLEASE SO INDICATE BELOW:

End of Part 1 Form

AEP Ohio CBP – Part 2 Form

Name of Applicant

PART 2 FORM
PART 2 DATE: September 16, 2014

Ohio Power Company (“Company” or “AEP Ohio”) is procuring full requirements service for its Standard Service Offer (“SSO”) customers through a competitive bidding process (“CBP”), consistent with the Opinions and Orders of the Public Utilities Commission of Ohio (“PUCO” or “Commission”) in Case No. _____.

The Part 2 Application consists of the online Part 2 Form and pre-bid security. Before completing this Part 2 Form, please review the CBP Rules and the Master SSO Supply Agreement so that you understand the conditions under which the auction will be conducted. Terms not explicitly defined in the Part 2 Form are defined in the Glossary, the CBP Rules, or the Master SSO Supply Agreement. These documents are posted to www.AEPOhioCBP.com as they become available.

By having completed and signed the Part 1 Form, you agreed to the CBP Rules and agreed to accept the provisions contained in the Master SSO Supply Agreement.

Information and materials that you submit in this Part 2 Application may be provided on a confidential basis to the Commission and their representatives. Representatives from AEP Ohio will decide whether the form of pre-bid security documents submitted is acceptable; pre-bid security documents other than cash will be redacted prior to providing such document to AEP Ohio representatives for review so as not to reveal an Applicant’s identity or the amount of the Applicant’s Indicative Offer.

Upon completion of the Part 2 Application process, the names of Registered Bidders will be provided to other Registered Bidders on a confidential basis, as well as the total Initial Eligibility aggregated across all Registered Bidders. As part of this Part 2 Application, you are required to certify that you will keep confidential the list of Registered Bidders and total Initial Eligibility that are provided to you.

AEP Ohio CBP – Part 2 Form

Name of Applicant

INSTRUCTIONS FOR APPLICATION

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. Only a Qualified Bidder may present a Part 2 Application.

The exclusive method for a Qualified Bidder to respond to the requirements of the Part 2 Application is by completing the online Part 2 Form, uploading the required attachments to the application website, and separately providing a pre-bid letter of credit or cash.

PLEASE COMPLETE ALL SECTIONS. IF A SECTION DOES NOT PERTAIN TO YOU, YOU WILL BE REQUIRED TO CHECK A BOX AND MOVE ON TO THE NEXT SECTION.

I. Part 2 Application Submission

All Qualified Bidders are expected to use the online Part 2 Form to submit information required by the Part 2 Application including all necessary documents except for a pre-bid letter of credit or cash. Qualified Bidders must:

- Complete the online Part 2 Form in its entirety;
- Upload to the application website **one (1) electronic copy** of the letter of intent to provide a guaranty or letter of reference if such documents are required by Section 1.2 of the Part 2 Form;
- Either: (i) send by overnight delivery service a pre-bid letter of credit to the following address: NERA – AEP Ohio Auction Manager, 1835 Market Street, Suite 1205, Philadelphia, PA 19103; or: (ii) post cash according to the instructions provided by the Auction Manager; and
- Sign and upload to the application website **one (1) electronic copy** of the signature pages provided by the Auction Manager upon submission of the online Part 2 Form. **The Part 2 Application is not complete until all such signature pages have been duly completed and uploaded to the application website.**

A “day” is a business day and all times are Eastern Prevailing Times (“EPT”).

*The online Part 2 Form **MUST** be received by the Auction Manager no later than 12 PM (noon) EPT on September 16, 2014 (the Part 2 Date).*

Inquiries may be directed to the Auction Manager by:

- telephone (215) 568-0200
- through the “Ask a Question” page on the CBP website at www.AEPOhioCBP.com

AEP Ohio CBP – Part 2 Form

Name of Applicant

II Application Review**Notifications**

The Auction Manager, for the purposes of the auction, provides all notifications to the Representative by email. Any notification or other written communication from the Auction Manager to a Qualified Bidder that is sent by email will be sent to the email address provided for the Representative and the Representative's Nominee(s). Any such notification or communication will be deemed received by the Qualified 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. 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.

Acknowledgment of Receipt

The exclusive method for a Qualified Bidder to respond to the requirements of the Part 2 Application is by completing the online Part 2 Form, uploading the required attachments to the application website, and separately providing a pre-bid letter of credit or cash. The attachments consist of the letter of intent to provide a guaranty or letter of reference if such documents are required by Section 1.2 of the Part 2 Form as well as signature pages provided by the Auction Manager. The "Part 2 Materials" consist of information submitted through the online Part 2 Form, the letter of intent to provide a guaranty or letter of reference if such documents are required by Section 1.2 of the Part 2 Form, as well as the pre-bid letter of credit or cash. Upon first submission of Part 2 Materials, the Auction Manager acknowledges receipt by email.

Timing of Part 2 Application Review

The last day of the Part 2 Window is called the Part 2 Date. If Part 2 Materials are received before 12 PM (noon) on any day during the Part 2 Window, the Auction Manager acknowledges receipt on the day the Part 2 Materials are received with the results of an initial review and with any signature pages that the Auction Manager can prepare on the basis of the information provided to that point in the Part 2 Form. If Part 2 Materials are received after 12 PM (noon) on any day during the Part 2 Window prior to the Part 2 Date, the Auction Manager sends the acknowledgment of receipt along with the initial review and any signature pages that the Auction Manager can prepare on the basis of the information provided to that point in the Part 2 Form by 12 PM (noon) of the next day.

AEP Ohio CBP – Part 2 Form

Name of Applicant

Deficiencies in the Part 2 Materials

If the Part 2 Materials are incomplete or require clarification, the Auction Manager sends a deficiency notice to the Qualified Bidder. If a Qualified Bidder receives a first deficiency notice from the Auction Manager regarding any item of the Part 2 Form, the Qualified Bidder has until 12 PM (noon) on the Part 2 Date, or until 6 PM on the day following the business day during which such deficiency notice is sent to the Qualified Bidder, whichever comes later, to respond. If a Qualified Bidder receives a first deficiency notice from the Auction Manager regarding pre-bid security (the pre-bid letter of credit, cash, the letter of intent to provide a guaranty, or the letter of reference), the Qualified Bidder has until 12 PM (noon) on the Part 2 Date, or until 6 PM on the second day following the business day during which such deficiency notice is sent to the Qualified Bidder, whichever comes later, to respond. If the Qualified Bidder does not correct or adequately explain the deficiency within the time allowed, the Part 2 Application may be rejected.

Signature Pages

The Auction Manager provides signature pages to the Qualified Bidder that the Auction Manager prepares on the basis of information submitted in the online Part 2 Form. The Qualified Bidder has until 12 PM (noon) on the Part 2 Date, or until 6 PM on the day following the business day during which the Auction Manager provides a signature page, whichever comes later, to upload the completed signature page to the application website. If the signature page does not conform to the requirements or if the Qualified Bidder fails to upload a signature page, the Auction Manager sends a deficiency notice to the Qualified Bidder. If a Qualified Bidder receives a first deficiency notice from the Auction Manager regarding a signature page, the Qualified Bidder has until 12 PM (noon) on the Part 2 Date, or until 6 PM on the day following the business day during which such deficiency notice is sent to the Qualified Bidder, whichever comes later, to respond. If the Qualified Bidder does not correct or adequately explain the deficiency within the time allowed, the Part 2 Application may be rejected.

Late Part 2 Applications

No late Part 2 Applications will be accepted under any circumstances.

Part 2 Notification

A Qualified Bidder is registered as a bidder pursuant to a successful Part 2 Application if its Part 2 Materials are received on or before 12 PM (noon) on the Part 2 Date and if its Part 2 Application is complete. All Qualified Bidders that successfully complete the Part 2 Application become Registered Bidders. The Auction Manager notifies each Qualified Bidder regarding its status by the Part 2 Notification Date.

AEP Ohio CBP – Part 2 Form

Name of Applicant

PART 2 FORM

1.1 Basic Applicant Information

Name of Applicant (Company Name)

Has the Representative's contact information changed since the Part 1 Form was submitted?

Yes **No**

**IF YES, PLEASE PROVIDE UPDATED INFORMATION BELOW.
IF NO, PLEASE PROCEED TO SECTION 1.2.**

Representative's Contact Information

Last Name

Given Name(s)

Title

Street Address

City

State

Zip Code

Telephone No.

Cell Phone No. (optional)

Email Address

AEP Ohio CBP – Part 2 Form

Name of Applicant

1.2 Indicative Offer, Preliminary Interest, and Pre-Bid Security

First Item: Indicative Offer and Minimum Pre-Bid Security

Please provide your Indicative Offer in Table 1.1 below. An Indicative Offer specifies two (2) numbers of tranches. The first number represents the number of tranches you are willing to bid at the Minimum Starting Price for all products in the auction and the second number represents the number of tranches that you are willing to bid at the Maximum Starting Price for all products in the auction. 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.

In the auction itself, you are not required to bid the number of tranches in your Indicative Offer. However, your Initial Eligibility to bid in the auction will be determined by the total number of tranches in your Indicative Offer at the Maximum Starting Price.

Table 1.1 Indicative Offer

Indicative Offer (number of tranches)		
Minimum Starting Price: \$XX/MWh		Tranches
Maximum Starting Price: \$YY/MWh		Tranches

You are required to submit an executed pre-bid letter of credit or cash for an amount equal to \$500,000 multiplied by the number of tranches in your Indicative Offer at the Maximum Starting Price. Please enter this minimum amount of pre-bid security in the table below.

Table 1.2 Minimum Pre-Bid Security Calculation

<i>Amount of pre-bid letter of credit or cash</i>	\$
All Bidders: This amount is equal to \$500,000 multiplied by the number of tranches in the Indicative Offer at Maximum Starting Price.	

AEP Ohio CBP – Part 2 Form

Name of Applicant

Please provide your Preliminary Interest in each product in Table 1.3 below. The Preliminary Interest for a product specifies two (2) numbers of tranches. The first number represents the number of tranches that you are willing to bid for that product at the Minimum Starting Price and the second number represents the number of tranches that you are willing to bid for that product at the Maximum 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.

Table 1.3 Preliminary Interest

Preliminary Interest (number of tranches)		
Product	Preliminary Interest at the Minimum Starting Price: \$XX/MWh	Preliminary Interest at the Maximum Starting Price: \$YY/MWh
12-Month		
24-Month		

Second Item: Cash

A bidder must provide either cash or a pre-bid letter of credit for at least the amount of the minimum pre-bid security calculated in Table 1.2. Are you providing cash for this amount?

Yes **No**

IF YES, PLEASE PROVIDE ALL INFORMATION REQUIRED BY THIS ITEM.

IF NO, PLEASE PROCEED TO THE NEXT ITEM.

I acknowledge that the AEP Ohio may draw upon the cash posted by the bidder if the bidder: (i) has made a material omission or misrepresentation in the Part 1 Application or the Part 2 Application submitted to participate in AEP Ohio’s CBP for purposes of procuring supply under the Master SSO Supply Agreement; (ii) has violated the CBP rules for AEP Ohio’s CBP for purposes of procuring supply under the Master SSO Supply Agreement; (iii) has won tranches in AEP Ohio’s CBP for purposes of procuring supply under the Master SSO Supply Agreement and has failed to execute the Master SSO Supply Agreement within three (3) business days of the acceptance of the results by the Commission; or (iv) has won tranches in AEP Ohio’s CBP for purposes of procuring supply under the Master SSO Supply Agreement and has failed to meet the creditworthiness requirements of the Master SSO Supply Agreement within three (3) business days of the acceptance of the auction results by the Commission.

 Signature of Representative of bidder posting cash

 Date

AEP Ohio CBP – Part 2 Form

Name of Applicant

AEP Ohio will not pay interest on cash held for the purposes of pre-bid security. AEP Ohio will return such cash within one (1) business day of the Commission's decision if the Commission rejects the results of the auction. If the Commission accepts the results of the auction, cash will be returned: (i) the business day after the Commission decision if the bidder does not win any tranches; (ii) the business day after the bidder executes the Master SSO Supply Agreement and meets the creditworthiness requirements under the Master SSO Supply Agreement if the bidder wins tranches in the auction. AEP Ohio will return cash within the timeframes provided in this paragraph only if AEP Ohio has received a request, on the Bidder's letterhead, for the return of the posted cash including wiring instructions.

Are you providing with this Part 2 Form a request, on your letterhead, for the return of the posted cash including wiring instructions?

Yes

No

Third Item: Pre-Bid letter of Credit

A bidder must provide either cash or a pre-bid letter of credit for at least the amount of the minimum pre-bid security calculated in Table 1.2. Are you providing a pre-bid letter of credit for this amount?

Yes

No

IF YES, PLEASE PROVIDE ALL INFORMATION REQUIRED BY THIS ITEM.

IF NO, PLEASE PROCEED TO THE NEXT ITEM.

If applicable, please provide in the space below any special instructions for returning the pre-bid letter of credit after the auction. Otherwise, the pre-bid letter of credit will be returned to the issuing bank. (optional)

The Auction Manager will return the pre-bid letter of credit within one (1) business day of the Commission's decision if the Commission rejects the results of the auction. If the Commission accepts the results of the auction, the pre-bid letter of credit will be returned: (i) the business day after the Commission decision if the bidder does not win any tranches; (ii) the business day after the bidder executes the Master SSO Supply Agreement and meets the creditworthiness requirements under the Master SSO Supply Agreement if the bidder wins tranches in the auction.

AEP Ohio CBP – Part 2 Form

Name of Applicant

Fourth Item: Additional Pre-Bid Security

PLEASE REFER TO YOUR PART 1 NOTIFICATION FOR INSTRUCTIONS CONCERNING THE PRE-BID SECURITY THAT YOU MUST PROVIDE TO SUPPORT YOUR INDICATIVE OFFER.

Does your Part 1 Notification state that you are required to provide additional pre-bid security?

- Yes** **No**

IF NO, PLEASE PROCEED TO SECTION 1.3.

IF YES, PLEASE CHECK ALL THAT APPLY BELOW.

- Letter of intent to provide a guaranty from the Guarantor named on the Part 1 Form
- Letter of reference from a bank
- Additional amount as cash or through the pre-bid letter of credit

COMPLETE TABLE 1.4 (ON THE NEXT PAGE) TO STATE THE AMOUNTS OF ADDITIONAL PRE-BID SECURITY PROVIDED WITH THIS PART 2 APPLICATION.

AEP Ohio CBP – Part 2 Form

Name of Applicant

Table 1.4 Additional Pre-Bid Security Calculation

<p>This amount of additional pre-bid security on a per tranche basis is \$XXX,000. The amount of additional pre-bid security required is \$XXX,000 multiplied by the number of tranches in your Indicative Offer at the Maximum Starting Price. The sum of the additional pre-bid security and the minimum pre-bid security 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. (see Section IV.2.9 of the CBP Rules).</p> <p>NOTE: Stand-alone Applicants that are not relying on a Guarantor and that are granted a sufficient credit line to cover the amount of additional pre-bid security to support their Indicative Offers are not required to post additional pre-bid security. All other Applicants are required to post additional pre-bid security in the form of a letter of intent to provide a guaranty and/or a letter of reference for this additional amount. Alternatively, the pre-bid letter of credit or cash may be increased by the additional amount.</p>	
<p>(a) Please enter the amount of additional pre-bid security that you are submitting in the form of a letter of intent to provide a guaranty from the Guarantor.</p> <p>NOTE: The Guarantor must meet the Minimum Rating.</p>	\$
<p>(b) Please enter the amount of additional pre-bid security that you are submitting in the form of a letter of reference from a bank.</p>	\$
<p>(c) Please enter the amount of additional pre-bid security that you are providing in the form of an additional amount as cash or on the pre-bid letter of credit.</p> <p>NOTE: A bidder may always elect to increase its pre-bid letter of credit or cash by the additional amount instead of providing a letter of intent to provide a guaranty and/or a letter of reference.</p>	\$
<p>Total (sum of (a), (b) and (c)).</p> <p>NOTE: This total must equal or exceed \$XXX,000 multiplied by the number of tranches in the Indicative Offer at the Maximum Starting Price.</p>	<p>Total amount:</p> <p style="text-align: center;">\$</p>

AEP Ohio CBP – Part 2 Form

Name of Applicant

1.3 Certifications by Representative

Each Applicant must 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 the decision on auction results by the Commission.

The following certifications are those contained in Section VIII.4 of the CBP Rules for the auctions under AEP Ohio’s CBP. Please consult the CBP Rules as well as the Rules and Protocols for Participation by Associated Bidders (Associated Bidder Protocols) to understand the criteria for associations and the definition of Confidential Information.

Sanctions can be imposed on an Applicant 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. 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 Applicant, forfeiture of financial guarantees and other fees posted or paid, prosecution under applicable state and federal laws, debarment from participation in future competitive bidding process, and other sanctions that may be appropriate.

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 Applicant 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.

The following certifications (1) through (8) will apply from the time of qualification of bidders until three (3) business days after the decision on auction results by the Commission.

- 1. I certify that the Applicant is not associated with another Qualified Bidder.

Signature of Representative

Date

If unable to make certification 1, please identify the Qualified Bidder(s) with which the Applicant is associated and the nature of the association.

AEP Ohio CBP – Part 2 Form

Name of Applicant

2. I certify that, other than parties explicitly named in the Part 1 Application as parties with whom the Applicant 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 Applicant 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.

Signature of Representative

Date

3. An Advisor is an entity or person(s) that will be advising or assisting the Applicant 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.

Please certify to ONE of the following:

(i) I certify that the Applicant has not retained an Advisor;

Signature of Representative

Date

(ii) I certify that the Applicant 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.

Signature of Representative

Date

(iii) I certify that the Applicant 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. If so, please describe such appropriate protections in the space below.

Signature of Representative

Date

AEP Ohio CBP – Part 2 Form

Name of Applicant

If you are unable to make certification 3, please name the Advisor and the Qualified Bidder(s) concerned. If you certify to 3(iii) above, please describe the appropriate protections in place in the space below.

4. I certify that the Applicant 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 Applicant 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, the Applicant may, during negotiations prior to the auction for contractual arrangements as a source for SSO Supply were the Applicant 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 Applicant is willing to buy these products, so long as such arrangements do not result in violation of (i), (ii) or (iii) above.

Signature of Representative

Date

If unable to make certification 4, please disclose the contractual terms that prevent the Applicant 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.

AEP Ohio CBP – Part 2 Form

Name of Applicant

5. I certify that the Applicant does not have any knowledge of Confidential Information Relative to Bidding Strategy of any other Qualified Bidder.

Signature of Representative

Date

If unable to make certification 5, please name the other Qualified Bidder(s) and the nature of the Confidential Information.

6. I certify that the Applicant 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.

Signature of Representative

Date

If unable to make certification 6, please identify the entity receiving such information and must explain the reasons for such disclosure.

AEP Ohio CBP – Part 2 Form

Name of Applicant

7. I certify that, other than entities with which the Applicant is affiliated and other than bidders with which it has entered into a bidding agreement, 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.

Signature of Representative

Date

If unable to make certification 7, please identify the party defraying the participation cost and provide an explanation.

8. I 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 Applicant wins in the auction shall arise under the Master SSO Supply Agreement. I understand that AEP Ohio can collect on the pre-bid letter of credit or AEP Ohio can draw upon cash posted if the Qualified Bidder wins tranches but fails to execute the Master SSO Supply Agreement or fails to comply with the creditworthiness requirements as set forth in the Master SSO Supply Agreement within three (3) days of the acceptance of the auction results by the Commission.

Signature of Representative

Date

AEP Ohio CBP – Part 2 Form

Name of Applicant

The following certifications (9), (10) and (11) will apply from the date on which you make the certifications.

9. I certify that if the Applicant is registered to participate in the auction, the Applicant 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.

Signature of Representative

Date

If unable to make certification 9, please identify the party receiving such information and must explain the reasons for such disclosure.

10. I certify that the Applicant will not disclose any Confidential Information Regarding the Auction to any party except to its Advisors and to bidders with which the Applicant is associated as disclosed in this Part 2 Application.

Signature of Representative

Date

If unable to make certification 10, please identify the entity receiving such information and explain the reasons for such disclosure.

AEP Ohio CBP – Part 2 Form

Name of Applicant

11. I certify that the Applicant 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 results by the Commission, or earlier if so instructed by the Auction Manager.

Signature of Representative

Date

If unable to make certification 11, please provide an explanation.

AEP Ohio CBP – Part 2 Form

Name of Applicant

1.4 Justification of Omissions

IF YOU ARE UNABLE TO PROVIDE ALL DOCUMENTS OR ALL INFORMATION REQUESTED IN THIS PART 2 APPLICATION, PLEASE FULLY JUSTIFY ANY OMISSIONS IN THE SPACE PROVIDED BELOW.

End of Part 2 Form

**Rules and Protocols for
Participation by Associated
Bidders in Auctions Under
Ohio Power Company's
("AEP Ohio's") CBP**

1. INTRODUCTION

As outlined in the CBP Rules for the auctions under Ohio Power Company (“AEP Ohio”) Competitive Bidding Process (“CBP”), the competitiveness of an auction may be compromised by the coordinated or collusive behavior that bidding associations may facilitate. As a result, the Auction Manager has developed standards that apply when associated parties apply to participate in an auction. The following sections outline the specific protocols that will be followed when associated entities submit Part 1 and/or Part 2 Applications to participate in an auction under AEP Ohio’s CBP.

2. PROCEDURE

Potential associations among Qualified Bidders may come to the attention of the Auction Manager at different points in the application process. In order to improve the process efficiency and minimize the risk of disclosure of potentially confidential information, the Auction Manager will approach each case as described below.

2.1. Following the Receipt of the Part 1 Applications

Potential associations among applicants may become apparent after the Part 1 Application but before Qualified Bidders are required to disclose such associations as part of the Part 2 Application. The Auction Manager will take no action related to potential associations until each party submits their completed Part 1 Application. In cases where there is an apparent relationship among applicants, the Auction Manager will initiate a request for additional information regarding the relationship among the potentially associated parties, the structure of their organization, and the independence of the respective bidding teams.

In such cases, the Auction Manager will notify representatives of AEP Ohio, Commission Staff, and the Commission Consultant that there is a potential association among applicants.

In addition, the Auction Manager reserves the right to request additional information from each party at the Part 2 Application stage including, but not necessarily limited to:

- a. Information on how the entity maintains its independence from the associated party including any available supporting documentation such as a Corporate Separation Agreements, Codes of Conduct, and/or organization charts;
- b. A list of individuals within the organization who have played or will play a material role in the auction;

- c. Information regarding the nature of any work done in conjunction with or on behalf of the associated party;
- d. Information describing the organizational structure of the associate(s), identifying common management and oversight among the associated entities as well as the management involved in or responsible for bid approval;
- e. The internal process or protocol related to determining indicative offers submitted as part of the Part 2 Application; and,
- f. Disclosure of whether the entity is bidding on behalf of itself or acting as an agent for other entities.

Any responses to the above will be treated as confidential if labeled as such.

2.2. Following the Receipt of the Part 2 Applications

In some cases, the potential relationship among Qualified Bidders will not be known to the Auction Manager until the Qualified Bidders submit final certifications along with their Part 2 Applications. In such cases, the Auction Manager will initiate the steps outlined above in Section 2.1 upon receipt of the completed Part 2 Applications.

After the Auction Manager has requested and received additional information from each bidder, the Auction Manager will determine, in consultation with Commission Staff and the Commission Consultant:

- a. Whether each of the associated bidders will be allowed to independently participate in the auction; and
- b. Any restrictions that may be applied as a result of the participation by associated bidders.

Any restrictions will be based on the information provided by the associated bidders as part of the Part 1 Application, the Part 2 Application, and the additional information that was provided at the request of the Auction Manager.

3. REMEDIES AND ACTIONS RELATED TO PARTICIPATION BY ASSOCIATED BIDDERS

This section summarizes the potential restrictions that will be considered by the Auction Manager, in consultation with Commission Staff, and the Commission

Consultant, in relationship to associated participation. Restrictions on participation may include, but may not be limited to, the following:

- a. Indicative offers may be restricted such that any applicable load cap or credit-based tranche cap may apply across the associated bidders;
- b. Pre-bid security or collateral requirements may be altered for the associated bidders to ensure that associates do not gain a competitive advantage over other bidders; and,
- c. In some cases, one or more associated bidders may not be allowed to participate in the auction.

4. HANDLING OF CONFIDENTIAL INFORMATION

In order to execute the process of gathering information on associated entities and executing the remedies outlined in Section 3, there may be situations that require the Auction Manager to share, directly, certain confidential information among the associated parties, AEP Ohio, the Commission and its staff and/or the Commission Consultant.

In addition, as part of the remedies outlined in Section 3, an associated party may gain access to or be able to ascertain certain confidential information of the other associated entities. While access to such information is counter to certain certifications in the Part 2 Application, access to such information acquired through the data gathering and remedies related to associated bidders will not be considered a violation of the CBP Rules.¹

Confidential information includes but may not be limited to the initial eligibility for each associated bidder based on indicative bids submitted with the Part 2 Application. The Auction Manager will make all efforts to minimize the disclosure of any such confidential information.

¹ A bidder is required in the Part 2 Application to certify that it does not have any knowledge of Confidential Information relative to the bidding strategy of any other Qualified Bidder.

AEP Ohio's CBP Schedule

Products, Percentage Procured, and Timing

Auction	Product (Months)	Load Cap Percentage	2014					2015					2016					2017					2018													
			6	7	8	9	10	1	2	3	4	5	6	7	8	9	10	1	2	3	4	5	6	7	8	9	10	1	2	3	4	5				
1 (Sep. 2014)	12 24	40			1						33%					12 Month																				
2 (Mar. 2015)	12 24	40						2			33%					12 Month																				
3 (Sep. 2015)	12	26								3						33%						12 Month														
4 (Mar. 2016)	12	26														4						33%														
5 (Sep. 2016)	12	40																				5										50%				
6 (Mar. 2017)	12	40																														6				

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.