

THE PUBLIC UTILITIES COMMISSION OF OHIO

**IN THE MATTER OF THE APPLICATION OF
COLUMBUS SOUTHERN POWER COMPANY
FOR APPROVAL OF A MECHANISM TO
RECOVER DEFERRED FUEL COSTS
ORDERED UNDER SECTION 4928.144, OHIO
REVISED CODE.**

CASE NO. 11-4920-EL-RDR

**IN THE MATTER OF THE APPLICATION OF
OHIO POWER COMPANY FOR APPROVAL OF
A MECHANISM TO RECOVER DEFERRED
FUEL COSTS ORDERED UNDER SECTION
4928.144, OHIO REVISED CODE.**

CASE NO. 11-4921-EL-RDR

SIXTH ENTRY ON REHEARING

Entered in the Journal on August 26, 2016

I. SUMMARY

{¶ 1} In this Sixth Entry on Rehearing, the Commission grants the applications for rehearing of the June 29, 2016 Entry for the purpose of further consideration of the matters specified in the applications for rehearing.

II. DISCUSSION

{¶ 2} Ohio Power Company d/b/a AEP Ohio (AEP Ohio or the Company) is an electric distribution utility as defined in R.C. 4928.01(A)(6) and a public utility as defined in R.C. 4905.02, and, as such, is subject to the jurisdiction of this Commission.

{¶ 3} R.C. 4928.141 provides that an electric distribution utility shall provide consumers within its certified territory a standard service offer (SSO) of all competitive retail electric services necessary to maintain essential electric services to customers, including a firm supply of electric generation services. The SSO may be either a market rate offer in accordance with R.C. 4928.142 or an electric security plan (ESP) in accordance with R.C. 4928.143.

{¶ 4} In Case No. 08-917-EL-SSO, et al., the Commission modified and approved AEP Ohio's application for an ESP to be in effect through December 31, 2011, pursuant to R.C. 4928.143. *In re Columbus Southern Power Co. and Ohio Power Co.*, Case No. 08-917-EL-SSO, et al. (*ESP 1 Case*), Opinion and Order (Mar. 18, 2009), Entry on Rehearing (July 23, 2009), Second Entry on Rehearing (Nov. 4, 2009). In the *ESP 1 Case*, the Commission directed AEP Ohio, pursuant to R.C. 4928.144, to phase in a portion of the rate increase authorized over an established percentage for each year of the ESP, in order to mitigate the impact of the rate increase for customers. The Commission authorized AEP Ohio to establish a regulatory asset to record and defer fuel expenses with carrying costs, at the weighted average cost of capital (WACC), with recovery through a non-bypassable surcharge to commence in 2012 and continue through 2018. *ESP 1 Case*, Opinion and Order (Mar. 18, 2009) at 20-24.

{¶ 5} On September 1, 2011, in the above-captioned proceedings, AEP Ohio filed an application for approval of a mechanism to recover its deferred fuel costs, as directed by the Commission in the *ESP 1 Case*. Specifically, AEP Ohio requested approval of the creation of a recovery mechanism, in the form of a non-bypassable phase-in recovery rider (PIRR), to ensure recovery of its accumulated deferred fuel costs, including carrying costs, as approved by the Commission in the *ESP 1 Case*.

{¶ 6} On August 1, 2012, the Commission issued a Finding and Order that approved AEP Ohio's proposed PIRR, with certain modifications, and directed the Company to file tariffs consistent with the Finding and Order and subject to final review and approval by the Commission (PIRR Order). In the PIRR Order, the Commission authorized AEP Ohio to collect carrying charges on the deferral balance based on the WACC rate of 11.15 percent until such time as the recovery period began, and, thereafter, at its long-term cost of debt rate of 5.34 percent. PIRR Order at 17-19.

{¶ 7} The PIRR Order was appealed to the Supreme Court of Ohio. On June 2, 2015, the Court issued its decision, reversing the PIRR Order with respect to the Commission's modification of the carrying charge rate. The Court determined that the PIRR Order violated R.C. 4928.143(C)(2)(a), because it modified the Commission's orders from the *ESP 1 Case* after the ESP had expired, which deprived AEP Ohio of its right to withdraw a modified ESP as provided in the statute. The Court remanded the proceedings to the Commission for reinstatement of the higher WACC rate. *In re Application of Ohio Power Co.*, 144 Ohio St.3d 1, 2015-Ohio-2056, 40 N.E.3d 1060.

{¶ 8} On May 23, 2016, AEP Ohio filed proposed PIRR tariffs that would reinstate the WACC rate.

{¶ 9} By Entry dated June 29, 2016, the Commission found that the proposed PIRR tariffs filed by AEP Ohio are consistent with the Ohio Supreme Court's remand decision. Accordingly, the Commission approved AEP Ohio's proposed PIRR tariffs.

{¶ 10} On July 29, 2016, applications for rehearing of the Commission's June 29, 2016 Entry were filed by the Ohio Manufacturers' Association Energy Group (OMAEG), Ohio Energy Group (OEG), and Ohio Consumers' Counsel (OCC). AEP Ohio filed a memorandum contra the applications for rehearing on August 8, 2016.

{¶ 11} The Commission believes that sufficient reason has been set forth by OMAEG, OEG, and OCC to warrant further consideration of the matters specified in the applications for rehearing. Accordingly, the applications for rehearing filed by OMAEG, OEG, and OCC should be granted.

III. ORDER

{¶ 12} It is, therefore,

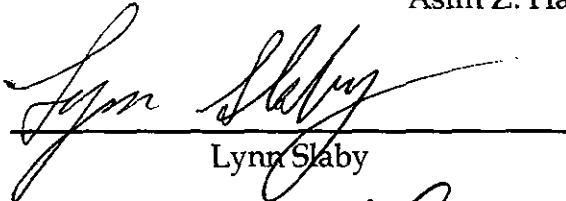
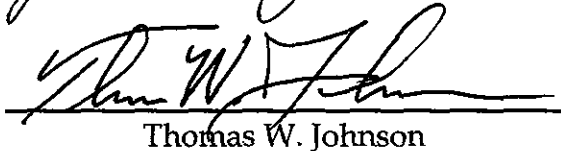
{¶ 13} ORDERED, That the applications for rehearing filed by OMAEG, OEG, and OCC be granted for further consideration of the matters specified in the applications for rehearing. It is, further,

{¶ 14} ORDERED, That a copy of this Sixth Entry on Rehearing be served upon all parties of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO



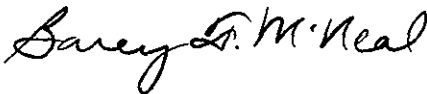
Asim Z. Haque, Chairman


Lynn Slaby
M. Beth Trombold
Thomas W. Johnson
M. Howard Petricoff

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Barcy F. McNeal
Secretary