

BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of	)	
Ohio Power Company for Authority to	)	
Establish a Standard Service Offer	)	Case No. 16-1852-EL-SSO
Pursuant to Section 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. 16-1853-EL-AAM
Certain Accounting Authority	)	

**OHIO POWER COMPANY'S APPLICATION  
TO AMEND ITS ELECTRIC SECURITY PLAN**

**I. AEP Ohio’s current Standard Service Offer rates**

Through a February 25, 2015 Opinion and Order, a May 28, 2015 Second Entry on Rehearing, and November 3, 2016 Fourth Entry on Rehearing, in Case Nos. 13-2385-EL-SSO *et al.*, the Public Utilities Commission of Ohio (Commission) approved a modified Electric Security Plan (“ESP III”) to be in effect for Ohio Power Company (“AEP Ohio” or “the Company”) from June 2015 through May 2018. As relevant to this application, AEP Ohio is an “electric distribution utility,” “electric light company,” “electric supplier” and “electric utility” as those terms are defined in §4928.01 (A) (6), (7), (10) and (11), Ohio Rev. Code, respectively. By its Application in this proceeding, AEP Ohio seeks approval of an amended electric security plan (also referred to as the proposed “Amended ESP” or the “proposed ESP”) that will modify the current ESP III and also extend its term through May 2024, absent early termination of the rate plan as provided in Section II or Section IV.A.4.

## **II. Proposed Amended Electric Security Plan and requested relief**

An electric distribution utility (EDU) may comply with §4928.141(A)'s standard service offer (SSO) requirement through either a market rate offer (MRO), pursuant to §4928.142, Ohio Rev. Code, or an electric security plan (ESP), pursuant to 4928.143, Ohio Rev. Code. Pursuant to § 4928.143, Ohio Rev. Code, and as set forth in greater detail below, AEP Ohio is proposing an Amended ESP III to fulfill its obligation to provide an SSO under §4928.141, Ohio Rev. Code. Consistent with the Joint Stipulation and Recommendation (PPA Rider Stipulation) modified and adopted in Case Nos. 14-1693-EL-RDR *et al.* (PPA Rider Cases), the Applicant seeks the Commission's approval of an Amended ESP based on §4928.143, Ohio Rev. Code, and Rule 4901:1-35, Ohio Admin. Code, to modify the existing ESP III that commenced on June 1, 2015 and extend its term, which currently ends on May 31, 2018, through May 31, 2024.<sup>1</sup>

The Company has approached the proposed ESP in a manner that is consistent with S.B. 221. For example, the Amended ESP addresses a range of issues that are broader than simply focusing on the SSO for competitive retail electric services. The Company's proposed ESP, as described in this Application and in supporting Company testimony, also addresses provisions regarding its distribution service (See §4928.143 (B) (2) (d) and (h), Ohio Rev. Code), including a new Distribution Technology Rider to support the investment in and, thus, deployment of a variety of technologies and infrastructure that will further modernize and improve the distribution system for the benefit of customers (the Distribution Technology Investment Plan); provisions that promote retail electric competition; economic development and job retention (See §§4928.02(N), 4928.143 (B) (2) (i) and 4905.31 (E), Ohio Rev. Code); the alternative energy resource requirements of §4928.64, Ohio Rev. Code; the energy efficiency requirements of §4928.66, Ohio Rev. Code (See also §§4928.143 (B) (2) (i) and 4905.31 (E), Ohio Rev. Code);

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<sup>1</sup> The PPA Rider Stipulation, which forms the basis for this Application, remains subject to termination or modification as a result of proceedings under R.C. 4903.10-4903.13. If the PPA Rider Stipulation is terminated or modified, this Application could become moot and/or may be withdrawn.

preserving and expanding the development of competition for retail electric services in its territory in accordance with §4928.02(B) and (C), Ohio Rev. Code; updating the Company's supplier tariff provisions and related matters; and other important matters. That being said, another important focus of the Application concerns the SSO rate plan. In that regard, the Company proposes a change in how the Ohio Valley Electric Corporation (OVEC) contractual entitlement will be used and how the associated costs will be recovered. Currently, it is used to provide a nonbypassable financial hedging mechanism that is implemented through the PPA Rider, pursuant to §4928.143(B)(2)(d), Ohio Rev. Code. Beginning as soon as June 1, 2017, the Company proposes to use the OVEC entitlement as a load-serving generation supply for the SSO and to recover its costs through bypassable SSO rates, pursuant to §4928.143(B)(2)(a), Ohio Rev. Code. In this regard, the Company requests interim relief as specified below (and explained in the testimony of Company witness Weiss) to phase-in this bypassable OVEC proposal in a timely manner.

The proposed ESP will have the effect of stabilizing and providing certainty regarding retail electric service (§4928.143 (B) (2) (d), Ohio Rev. Code). As demonstrated in the testimony of Company witness Allen, the proposed Amended ESP is “more favorable in the aggregate as compared to the expected results that would otherwise apply under section 4928.142 of the Revised Code” (§4928.143, (C) Ohio Rev. Code). The terms of the proposed ESP offer AEP Ohio customers reasonable and stable electricity rates while offering investors some measure of financial stability. Each of the components of the Amended ESP is critical to AEP Ohio's ability to reliably serve its customers in the future and need to be addressed. If there are new tax laws, major statutory or regulatory rule changes at the state or federal level (including changes to Chapter 4928, Ohio Revised Code), significant changes in the operation of regional power markets or other material changes in circumstances affecting the proposed ESP

(or other existing conditions that the proposal is currently based upon), the Company will be entitled to amend the ESP to achieve equivalent value or otherwise terminate the ESP.

Accordingly, as set forth below in greater detail, AEP Ohio requests that the Commission:

1. Approve the proposed ESP without modification, including all accounting authority needed to implement the proposed riders and other aspects of the Amended ESP as proposed;
2. Approve new rates and riders under the proposed Amended ESP (described in this Application and in supporting testimony) continuing through the last billing cycle of May, 2024;
3. Issue a procedural entry to facilitate a timely interim order<sup>2</sup> authorizing use of the OVEC entitlement to serve SSO load beginning June 1, 2017, in the event that the Commission is not able to issue its final order ruling on the Company's Application on a timeline that enables a transition in the use of the OVEC entitlement by June 1, 2017; and
4. Grant any waivers or other relief needed to accept the proposed ESP.

### **III. Filing requirements of Rule 4901:1-35-03(C), Ohio Admin. Code<sup>3</sup>**

#### **A. Description of Supporting Testimony**

A description of and support for the proposed ESP is supplemented through the testimony of the Company witnesses listed in the following table.

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<sup>2</sup> The Company requests a separate process to facilitate a timely interim relief in this regard and reserves the right to also pursue this interim relief through a separate motion.

<sup>3</sup> It is not clear under the Commission's SSO filing requirement rule whether an application to amend an ESP must comply with all of the same filing requirements in this request for amendment as those of an initial application. But the Company has undertaken to comply with all of the requirements of 4901:1-35-03(C), OAC. Nevertheless, if any requirements are not completely fulfilled or are dispensable in the Commission's view, the Company requests a waiver of those portions of the Application.

<b>Witness</b>	<b>Subject Area</b>	<b>Description of Testimony</b>
Andrea Moore	Overview of ESP Certain New Tariff Proposals Advancement of State Policies Corporate Separation Status Regulatory Accounting	<ul style="list-style-type: none"> <li>• Overview of ESP</li> <li>• AEP Ohio objectives</li> <li>• ESP components</li> <li>• Incentive Rate Making</li> <li>• Fairground Accounts Transmission Proposal</li> <li>• Pilot Plug-In Electric Vehicle. Sub-metering and LED Tariff proposals</li> <li>• Increase to Customer Charge</li> <li>• Demand Metered Residential Rate Schedule</li> <li>• Modifications to ACRR and DIR</li> <li>• Advancing State Policies</li> <li>• Corporate separation status</li> <li>• Regulatory accounting for certain proposed riders</li> </ul>
Selwyn Dias	Distribution Programs	<ul style="list-style-type: none"> <li>• Benefits and Needs of the Distribution Investment Rider and Enhanced Service Reliability Rider</li> </ul>
David Weiss	Competitive Auction Schedule	<ul style="list-style-type: none"> <li>• Competitive auction schedule and offerings. Including Ohio Valley Electric Corp. (OVEC) transition issues</li> <li>• Updates to Auction Rules</li> </ul>
Stacey Gabbard	Supplier Terms and Conditions	<ul style="list-style-type: none"> <li>• Updates to the CRES provider contract</li> <li>• Updates to the Supplier Terms &amp; Conditions</li> </ul>
David Gill	Rate Design Customer Rate Impacts Tariff and Rider Design	<ul style="list-style-type: none"> <li>• Competitive auction rates</li> <li>• Rate design, rate terms and conditions</li> <li>• Tariffs</li> <li>• Distribution Technology Rider</li> <li>• Rate recovery design for continuation of certain riders, for proposed changes or additions to current riders, and/or recovery of new riders</li> <li>• Pilot Basic Transmission Cost Rider</li> <li>• Automaker Credit Rider</li> <li>• Updates to the Economic Development Rider</li> <li>• Bill impacts</li> </ul>
Matthew Kyle	Financial Forecasts Weighted Average Cost of Capital Capital Structure	<ul style="list-style-type: none"> <li>• Forecast methodology</li> <li>• Forecast assumptions and results</li> <li>• Capital Structure, weighted average cost of capital (WACC), and capital carrying costs</li> </ul>
Scott Osterholt	Distribution Technology Investment Plan	<ul style="list-style-type: none"> <li>• Plug In Electric Vehicle Charging Station</li> <li>• Micro Grid Technology</li> <li>• Smart street lighting controls</li> <li>• Physical Security Investment</li> <li>• Next Generation Utility Communication System</li> </ul>
Adrien McKenzie	Return on Equity (ROE)	<ul style="list-style-type: none"> <li>• Recommended ROE</li> </ul>
William Allen	ESP Components based on Approved PPA Shopping Statistics SEET and MRO	<ul style="list-style-type: none"> <li>• Competition Incentive Rider/SSO Credit Rider</li> <li>• Replacement of PPA Rider with OVEC and Renewable Cost Recovery Mechanisms</li> <li>• Customer shopping levels</li> <li>• Market Rate Offer (MRO)Test</li> <li>• Significantly Excessive Earnings Test</li> </ul>

### **B. *Pro Forma* Financial Projections of the Effect of the Proposed ESP**

*Pro forma* financial projections of the effect of the Amended ESP for the duration of the Amended ESP are presented in the testimony of Company witness Kyle as part of Exhibit MDK-2 and the assumptions made and methodologies used in deriving the *pro forma* projections are listed in Exhibit MDK-1.

### **C. Projected Rate Impacts of the Proposed Amended ESP III**

Projected rate impacts by customer class/rate schedules during the term of the proposed ESP are contained in the testimony of Company witness Gill and Exhibit DRG-7.

### **D. Description of the Corporate Separation Plan and Demonstration that the Plan Complies with §4928.17, Ohio Rev. Code and Rule 4901:1-37, Ohio Admin. Code**

AEP Ohio provides a description of its corporate separation plan, adopted pursuant to §4928.17, Ohio Rev. Code, by reference to its separate application filed on March 30, 2012 in Case No. 12-1126-EL-UNC, which the Commission approved by its October 17, 2012 Finding and Order and April 24, 2013 Entry on Rehearing. That corporate separation plan is cross-referenced in the testimony of Company witness Moore filed in support of this Amended ESP. The Company requests that the Commission find that the inclusion of the OVEC entitlement in the PPA Rider and the transition of the OVEC entitlement from the PPA Rider to the SSO are permitted by the Company's corporation separation plan and comply with §4928.17, Ohio Rev. Code, and Rule 4901:1-37, Ohio Admin. Code. The Company plans to file a separate amendment to the corporate separation plan to address the existing condition that OVEC capacity and energy be liquidated into the PJM markets.

### **E. Status of the Operational Support Plan**

Pursuant to Rule 4901:1-35-03(C)(5), Ohio Admin. Code, AEP Ohio states that its Operational Support Plan has been implemented and that it is not aware of any outstanding problems with its implementation.

### **F. Description of How the Company Addresses Governmental Aggregation and Implementation of Divisions (I), (J), and (K) of §4928.20, Ohio Rev. Code and the Effect on Large-Scale Governmental Aggregation of Unavoidable Generation Charges**

For the proposed ESP, the Company's plan for addressing governmental aggregation programs and the implementation of divisions (I), (J), and (K) of §4928.20, Ohio Rev. Code, and the effect on large-scale governmental aggregation of any unavoidable generation charges, is to preserve and expand retail competition opportunities through a competitive, auction-based SSO structure. The Company's proposed nonbypassable charges do not have an adverse impact on large-scale governmental aggregation.

### **G. State Policies Enumerated in §4928.02, Ohio Rev. Code, Are Advanced by the Proposed ESP**

A detailed account of how the Amended ESP is consistent with and advances the policies of this state enumerated in §4928.02(A) through (N), Ohio Rev. Code, is provided by Company witness Moore.

### **H. Statement Regarding Qualifying Transmission Entity**

AEP Ohio and its affiliate, AEP Ohio Transmission Company, Inc., are members of PJM Interconnection, which is a qualifying transmission entity, as that term is used in §4928.12, Ohio Rev. Code.

### **I. Executive Summary**

An overview of the proposed ESP is included in the testimony of Company witness Moore.

## **IV. Standard Service Offer Rate Provisions of the Proposed ESP**

### **A. Generation Rates**

#### **1. Competitive Bid Process and Procurement of Generation Services for SSO Load**

The Company's proposal will continue to utilize auction-based pricing for the Company's SSO customers through the full term of the proposed ESP. This procurement plan increases diversity of electricity supplies and suppliers, which supports reasonably priced retail electric service.

The Company also proposes to change the manner in which it uses the power procured through its OVEC entitlement and its SSO auction procurement process. Currently, as a result of orders issued in Case Nos. 13-2385 *et al.* and 14-1693-EL-RDR *et al.*, and pursuant to §4928.143(B)(2)(d), Ohio Rev. Code, the Commission has approved the collection from or payment to customers of the net amount of AEP Ohio's OVEC entitlement costs and revenues on a nonbypassable basis through the PPA Rider. AEP Ohio proposes to transition from using the OVEC entitlement as the basis for a nonbypassable financial hedging mechanism implemented through the PPA Rider, to using it to serve SSO customers and recovering its costs through bypassable SSO rates pursuant to §4928.143(B)(2)(a), Ohio Rev. Code. The Company proposes to begin using purchased power from the OVEC entitlement to serve a portion of its SSO load in lieu of procuring an equivalent amount of power through its Spring 2017 SSO auction to serve that portion of the SSO load, the delivery of which must otherwise begin June 1, 2017. Accordingly, the Company requests interim relief to obtain approval to begin using the OVEC entitlement to serve SSO load June 1, 2017.

The Company recognizes it is possible that the Commission will not be able to issue its final order in this proceeding in sufficient time prior to the Spring SSO auction to allow for replacement of power supplies that would otherwise be procured through the auction by the



OVEC purchased power. In that event, the Company requests that the Commission timely issue an interim order approving this aspect of the Application, without prejudice to its ultimate decision regarding the matter, so that the transition can still occur on an interim basis beginning June 1. In the alternative, if the Commission prefers, the Company requests that the Commission authorize the Company, beginning with the Spring SSO auction, to procure the portion of power equivalent to the amount that could otherwise be provided by the OVEC entitlement through quarterly auctions. That would permit the Company to synchronize most closely the transition to using the OVEC purchased power to serve SSO load with a final order by the Commission's approving the Application.

The testimony of Company witness Weiss provides additional detail regarding the Competitive Bid Process and the procurement of generation services through the auction process for the Company's non-shopping SSO load. Mr. Weiss's testimony also explains the modifications necessary to the SSO procurement auctions that would be required to implement its proposal to use the OVEC entitlement to supply a portion of the Company's SSO load. Company witnesses Allen and Gill, also provide further detail regarding the proposal to transition the use of the OVEC entitlement from the PPA Rider to serving a portion of the Company's SSO load.

## **2. SSO Generation Service Riders**

The Company's proposed Amended ESP III will continue to provide transparency in AEP Ohio's SSO pricing, through continuation of the Generation Energy (GENE) rider, a Generation Capacity (GENC) rider, a Basic Transmission Cost Rider (BTCR) including a pilot program for single coincident peak rate design for certain customers, and an Auction Cost Reconciliation Rider (ACRR), which gives consumers a comparable price that they can use to compare information when determining whether to select an alternative supplier. The Company is also proposing to include for recovery in the ACRR any payments to customers with

cogeneration facilities related to the COGEN schedule of the tariffs, as explained by Company witness Moore, and any differences (positive or negative) between the costs of the OVEC entitlement and the revenues realized from the GENE and GENC Rider rates. The manner in which SSO generation service rates will be developed and updated are discussed in the testimony of Company witness Gill, including a final reconciliation of riders at the end of the Amended ESP III term.

### **3. Competition Incentive Rider and SSO Credit Rider**

The Company proposes a pilot program that establishes a bypassable Competition Incentive Rider (CIR) as an addition to the SSO non-shopping rate above the auction price, the purpose of which is to incent shopping and recognize that there may be costs associated with providing retail electric service that are not reflected in SSO bypassable rates. The revenue collected from the CIR will then be refunded to all customers through the SSO Credit Rider (SSOCR). In accordance with the PPA Rider Stipulation, Staff and parties convened meetings to discuss a proposed value for the CIR, but a consensus agreement was not reached. As such, the initial charge for the rider to be included in the Company's Application is to be determined by the Commission Staff per the terms of the PPA Rider Stipulation. The Commission Staff has provided an initial CIR level for inclusion in this filing of \$0.62/MWh. Company witnesses Allen and Gill provide further support for these riders.

### **4. Power Purchase Agreement Rider (and Early Termination)**

As noted above, in its recently issued Fourth Entry on Rehearing in the PPA Rider Cases the Commission approved inclusion of the OVEC entitlement in the PPA Rider. As also noted above, the Company in this Application proposes to transition from including the OVEC entitlement in the PPA Rider to using the OVEC entitlement to serve a portion of the Company's SSO load. Per the terms of the PPA Rider Stipulation modified and adopted in the PPA Rider cases, a favorable outcome in this Amended ESP proceeding is a key condition applicable to the

ongoing validity of the PPA Rider Stipulation and the Company's obligations thereunder. Consequently, the proposed Amended ESP is dependent upon the Company exercising its statutory consent rights following the Commission's decision to adopt or modify and adopt this Application. In the event of an unfavorable outcome in this proceeding, the Amended ESP will terminate early and the Company's ongoing obligations under the PPA Rider Stipulation will expire. Further, should any decision, law or order by a court, legislative authority or administrative agency adversely affect the ongoing viability of the PPA Rider or cost recovery thereunder prior to the transition of the OVEC entitlement to serving SSO load, the Company may upon written notice terminate the Amended ESP; thereafter, any ongoing obligations under this Application or the underlying PPA Rider Stipulation shall terminate. In addition, if an amendment to the ESP statute, R.C. 4928.143, is adopted and becomes effective, AEP Ohio may upon written notice terminate the Amended ESP and formulate a new plan going forward; except as otherwise required by law, any ongoing obligations under this Application or the underlying PPA Rider Stipulation shall terminate coincident with the effective date of the new law.

## **5. Alternative Energy Rider**

The Company recovers Renewable Energy Credit (REC) expense through the bypassable Alternative Energy Rider (AER), which would continue through the term of the Amended ESP. REC expense is the identified renewable value of costs associated with acquiring or creating renewable energy. Company witness Moore discusses how the AER supports Ohio energy policy.

## **6. Renewable Generation Rider**

Given the potential need for AEP Ohio to develop new capacity resources during the extended term of the Amended ESP, the Company proposes a nonbypassable rider under R.C. 4928.143(B)(2)(b) and (c). This Renewable Generation Rider (RGR) would be a placeholder until such time that the Commission authorizes nonbypassable charges for the life of specific

projects in future RDR cases. Upon approval, the RGR would replace the renewable component of the PPA Rider. The RGR proposal is further explained in AEP Ohio witnesses Allen, Moore and Gill.

## **B. Distribution Rates**

### **1. Comprehensive Distribution Reliability Plan**

A major focus of the proposed Amended ESP III is an extension of its comprehensive distribution reliability strategic plan. The foundation of this plan is a group of programs, supported by current riders, already approved by the Commission in ESP I, ESP II, and by its orders in Case Nos. 13-2385-EL-SSO *et al.* approving the current ESP III. The existing programs, which AEP Ohio requests authority to continue and/or modify as part of the proposed Amended ESP III, include the replacement of aging infrastructure through the Distribution Investment Rider (DIR), continued cyclic vegetation maintenance through the Enhanced Service Reliability Rider (ESRR), further implementation of advanced technologies through Phase 2 of the gridSMART® program, and continued recovery of major storm costs through the Storm Damage Recovery (SDR) Mechanism and Rider. Additional details on the proposed suite of riders that support the extension of the Company's comprehensive distribution reliability plan are discussed in the testimony of Company witnesses Dias, Moore, and Gill.

#### **a. Distribution Investment Rider**

The Company proposes to continue the DIR based on the terms and conditions approved in the ESP III orders, with additional annual DIR caps to be established for the extended term of the Amended ESP. The DIR program supports the replacement of aging infrastructure and the improvement of system reliability. Established in ESP II and continued in ESP III, the DIR will continue under the Amended ESP to provide capital funding for distribution assets needed to support distribution asset management programs, distribution capacity and infrastructure

additions driven by customer demand and support the continued implementation of advanced technology including AEP Ohio's gridSMART® initiative. Company witness Dias testimony explains the investments supporting the Company's proposed annual DIR caps for the June 2018 through May 2024 extension period of Amended ESP. As referenced above, if the Commission's rehearing in this proceeding affects the DIR caps for the existing ESP term, AEP Ohio will supplement its proposal through testimony.

**b. Enhanced Service Reliability Rider**

The ESRR program provides storm hardening by reducing the risk of tree contact during storms. Established in ESP I and continued in ESP II and ESP III, the proposed Amended ESP III would continue the ESSR program. Company witness Dias testimony explains the funding level supporting the proposed ESRR during the extension period of the Amended ESP.

**c. gridSMART® Rider**

The gridSMART® program supports storm hardening through the use of new technologies, the backbone of which is its communication infrastructure. The ESP III decision approved the gridSMART Phase Two Rider and there is a pending settlement before the Commission in Case No. 13-1939-EL-RDR that would implement additional technology and provide for recovery through this rider. Company witness Gill's testimony explains how the rider will be calculated and updated.

**d. Storm Damage Recovery Mechanism and Rider**

The Company proposes to continue the SDR Mechanism, established as part of ESP II and reauthorized by the Commission for the current ESP III term, during the extension period of the Amended ESP III, as explained by AEP Ohio witness Moore.

**2. Distribution Technology Rider**

As part of its proposed Amended ESP III, the Company is proposing a comprehensive Distribution Technology Investment Plan (Plan). The purpose of the Plan is to modernize the

Company's infrastructure through the installation of advanced distribution technologies. Accordingly, the Plan complements the Company's gridSMART program and other technological advancement efforts. The proposed Distribution Technology Plan involves three initiatives: (1) installation of electrical vehicle (EV) charging stations, microgrids, and smart lighting controls, all of which are being deployed in conjunction with the Smart Columbus program; (2) deployment of a Next Generation Utility Communication system; and (3) enhancement of the security of AEP Ohio's critical distribution infrastructure.

In this proceeding, AEP Ohio is proposing a "Phase 1" deployment of the Smart Columbus-related EV charging station, microgrid, and smart lighting control technologies. It is also proposing a Phase 1 deployment of security improvements for critical distribution infrastructure. AEP Ohio intends to make a subsequent filing for a "Phase 2" deployment of these technologies that builds on the Company's experience in Phase 1. The Company is not proposing a phased approach to the deployment of the Next Generation Utility Communication system; the Company seeks full approval and cost recovery for this project in this proceeding.

Company witness Osterholt provides further details regarding the Distribution Technology Plan, the costs of the Phase 1 Smart Columbus-related technology and critical distribution infrastructure security enhancement and the full Next Generation Utility Communication system deployments, and timelines for the deployment of each component of the Plan. The Plan's costs will be recovered through the proposed Distribution Technology Rider, which Company witness Gill discusses in his testimony.

### **3. Pilot Throughput Balancing Adjustment Rider**

The Commission approved the establishment of the Pilot Throughput Balancing Adjustment Rider (PTBAR), a revenue decoupling mechanism, in Case Nos. 11-351-EL-AIR and 11-352-EL-AIR. In its February 25, 2015 Opinion and Order adopting ESP III, the Commission directed that the PTBAR should be continued until otherwise ordered.

Accordingly, the Company proposes to continue the PTBAR for residential and GS-1 tariff schedules throughout the term of the proposed Amended ESP or until otherwise ordered by the Commission, with an adjustment for the proposed customer charge increase. AEP Ohio witness Gill demonstrates the revenue neutrality of these proposed changes. If the PTBAR is amended, terminated or not extended as part of this Application, the Company will be entitled to further amend the ESP III to achieve equivalent value or otherwise terminate the ESP.

#### **4. Residential Distribution Credit Rider**

As with the PTBAR above, the Commission approved the establishment of the Residential Distribution Credit Rider (RDCR) in the Opinion and Order in Case Nos. 11-351-EL-AIR and 11-352-EL-AIR. The Company proposes to continue the RDCR for all residential tariff schedules, as currently implemented, throughout the term of the proposed ESP or until new base distribution rates are set. Company witness Gill discusses the continuation of the RDCR.

#### **5. Rider IRP**

As discussed by AEP Ohio witness Gill, the Company includes in its proposed ESP a provision that extends the IRP tariff and credit for the full expanded ESP term (*i.e.*, through May 31, 2024) for the current IRP tariff customers as well as 250 MW of additional interruptible load of members of Signatory Parties to the PPA Rider Stipulation as well as members of non-opposing parties that qualify under the tariff. 150 MW of the additional interruptible load will be reserved for new businesses locating in the service area of AEP Ohio; if 100 MW of additional interruptible load subscribes to tariff IRP during the 12 months immediately following approval of the PPA Rider Stipulation, then the IRP tariff will be increased by an additional 25 MW available to Signatory Parties' members. Consistent with the PPA Rider Stipulation, the Company also proposes to increase the IRP credit to \$9/kw-month starting in June 2018 and throughout the remainder of the term of the Amended ESP III for any customers that are participating during that time period.

## **6. Sub-metering Rider**

Given the impending issues in Case No. 15-1594-AU-COI and other related dockets, AEP Ohio proposes a placeholder nonbypassable rider to cover contingent costs that may be imposed or incurred during the Amended ESP III term relating to submetering or related to an authorized deferral/ regulatory asset. This rider is a placeholder rider subject to future authorization by the Commission. This proposal is explained in AEP Ohio witness Moore's testimony.

## **7. Plug-in Electric Vehicle tariff**

A pilot placeholder tariff for plug-in electric rates is being proposed to support the development of PEV charging stations in the Company's service territory, as explained in the testimony of AEP Ohio witness Moore.

## **8. LED lighting tariff**

A tariff for LED lighting rates is being proposed to provide an option for customers interested in utilizing this technology, as explained in the testimony of AEP Ohio witness Moore.

## **9. Automaker Credit Rider**

Consistent with the PPA Rider Stipulation, an automaker credit rider is being proposed to support increased utilization or expansion of automaker facilities in the Company's service territory, as explained in the testimony of AEP Ohio witness Gill.

## **10. Customer Charge adjustment**

As part of this Application, the Company is proposing to phase in an increase to the customer charge with an offsetting reduction in the energy charge, as detailed in the testimony of Company witness Moore.

## **C. Transmission Rates**

For the current term of ESP III, the Commission approved the establishment of a nonbypassable Basic Transmission Cost Rider (BTCR) through which it will recover non-market



based transmission charges from all of its customers, both shopping and non-shopping. Certain market-based transmission charges are included as part of the auction product offering for SSO customers, and competitive retail electric service (CRES) providers would be responsible for paying such transmission charges for their shopping customers. The Company proposes to continue the BTCR through the extended term of the proposed ESP. In addition, the Company proposes, as part of this Amended ESP III, to include a provision that would give GS-3 and GS-4 customers with interval metering capability the opportunity to opt-in to a pilot mechanism under the BTCR based on each eligible customer's single annual transmission coincident peak demand. Company witness Gill further addresses the Pilot Opt-In BTCR provision and Company witness Moore supports a proposed county fair transmission supplement.

## **D. Other Nonbypassable “Wires” Charges**

### **1. Energy Efficiency/Peak Demand Reduction Rider**

The proposed Amended ESP III will continue the Energy Efficiency/ Peak Demand Reduction (EE/PDR) Rider through the extended term of the Amended ESP. Consistent with the PPA Rider Stipulation, 50% of the EE/PDR Rider's costs for transmission and sub-transmission voltage customers would be transferred to the Economic Development Rider (EDR) and 50% of the costs of Rider IRP's credits would be transferred from the EE/PDR Rider to the EDR. The rider rate will continue to be updated periodically throughout the extended term of the Amended ESP. Additional discussion on the proposed modification is provided in the testimony of Company witnesses Allen and Gill. If the EE/PDR Rider is amended, terminated or not extended as part of this Application, the Company will be entitled to amend the ESP to achieve equivalent value or otherwise terminate the ESP.

## **2. Economic Development Rider**

The Company proposed to continue, as part of the proposed Amended ESP, its Economic Development Rider (EDR), with the modifications referenced above in connection with the EE/PDR Rider. Additional details on the EDR are discussed in the testimony of Company witnesses Gill. While many of the proposed riders and terms and conditions of the proposed Amended ESP are being submitted as part of a package, there is independent statutory authority for this rider and the Company reserves the right to pursue continued collection of this rider outside the context of an ESP, if necessary.

## **V. Accounting Deferrals and Recovery of Existing Regulatory Assets**

The proposed Amended ESP III requests authority to record regulatory liabilities and regulatory assets and, thus, to perform regulatory deferral over/under recovery true-up accounting for a number of riders identified by Company witness Gill's testimony, at Exhibit DRG-1. The Amended ESP also requests continued deferral accounting authority for its proposed major storm damage recovery (SDR) mechanism and rider, as authorized in the February 25, 2016 Opinion and Order in Case Nos. 13-2385-EL-SSO *et al.* approving ESP.

## **VI. Work Papers**

Filed with this proposed ESP is a complete set of work papers, consistent with Rule 4901:1-35-03(G), Ohio Admin. Code. The work papers include all pertinent documents prepared by the Company for the Application and an explanation, narrative or other support of the assumptions used in the work papers. Parties are also being electronically served with the native files containing the work papers. Confidential workpapers will only be made available directly to the parties that sign an acceptable protective agreement.

## **VII. Waiver Requests**

Under Rule 4901:1-35-02(B), Ohio Admin. Code, the Commission may grant requests to waive any requirement of Chapter 4901:1-35 for good cause shown. To the extent that the relief requested in this application requires a waiver of any filing requirements found in Chapter Rule 4901:1-35, Ohio Admin. Code, the Company requests such a waiver.

## **VIII. Service of the Application and Direct Testimony**

Consistent with Rule 4901:1-35-04(A), Ohio Admin. Code, the Company is providing, concurrent with the filing of this Application and Direct Testimony, an electronic copy of the filing to each party in its most recent prior SSO proceeding, Case Nos. 13-2385-EL-SSO et al. In addition, the Company is serving an electronic copy of the filing to each party that intervened in this SSO proceeding. In a form consistent with Rule 4901:1-35-04(B), Ohio Admin. Code, attached as Attachment 1 to this Application is a proposed notice for newspaper publication that fully discloses the substance of the proposed Amended ESP III, including projected rate impacts, and that prominently states that any person may request to become a party to the proceeding.

## **IX. Procedural Schedule**

Under §4928.143(C)(1), Ohio Rev. Code, the Commission is required to issue an order approving, or modifying and approving, an application for an ESP within 275 days. Consistent with that requirement, the Company proposes, and requests that the Commission adopt, the following procedural schedule for reviewing and issuing its final order ruling upon the Company's proposed Amended ESP:

- a. A technical conference should be scheduled to allow interested persons the opportunity to better understand AEP Ohio's Application. The conference should be held on December 14, 2016, at 10:00 am, at the offices of the Commission.
- b. Motions to intervene shall be filed by December 28, 2016.

- c. Testimony on behalf of intervenors shall be filed by January 25, 2017.
- d. Discovery requests, except for notices of deposition, shall be served by January 25, 2017.
- e. Testimony on behalf of the Commission Staff shall be filed by February 1, 2017.
- f. A procedural conference shall be scheduled for February 14, 2017, at 10:00 a.m., at the offices of the Commission.
- g. The evidentiary hearing shall commence on February 28, 2017, at 10:00 a.m., at the offices of the Commission.
- h. The Commission should issue its Opinion and Order approving, or modifying and approving, the Application by April 12, 2017.

WHEREFORE, AEP Ohio requests that the Commission find and order as follows:

- 1. That the Company's proposed procedural schedule be adopted;
- 2. Issue an interim order authorizing use of the OVEC entitlement to serve SSO load beginning June 1, 2017, in the event that the Commission is not able to issue its final order ruling on the Company's Application on a timeline that enables a transition in the use of the OVEC entitlement by June 1, 2017;
- 3. That the Company's proposed Amended ESP III is more favorable in the aggregate as compared to the expected results that would otherwise apply under section 4928.142 of the Revised Code;
- 4. That the Company's proposed Amended ESP III be approved, including all accounting authority needed to implement the proposed riders and other aspects of the ESP as proposed;
- 5. That the Company's proposed tariffs be approved; and
- 6. That the Commission issue such other orders as may be just and proper.

Respectfully submitted,

/s/ Steven T. Nourse

Steven T. Nourse

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**Counsel for Ohio Power Company**

# Attachment 1

## LEGAL NOTICE

Ohio Power Company (AEP Ohio) is a subsidiary electric utility operating company of American Electric Power Company, Inc. AEP Ohio conducts its business in Ohio as “AEP Ohio.” AEP Ohio has filed with the Public Utilities Commission of Ohio (PUCO) Case No. 16-1852-EL-SSO, *In the Matter of the Application of Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to §4928.143, Ohio Rev. Code, in the Form of an Electric Security Plan*, and Case No. 16-1853-EL-AAM, *In the Matter of the Application of Ohio Power Company for Approval of Certain Accounting Authority*. In these cases, the Commission will consider AEP Ohio’s request for approval of an Amended Electric Security Plan (ESP) that includes its standard service offer (SSO), that was effective with the first billing cycle of June 2015, and would be modified and extended through the last billing cycle of May 2024, absent early termination of the rate plan. The ESP, which includes the SSO pricing for generation, also addresses provisions regarding distribution service, economic development, alternative energy resource requirements, energy efficiency requirements and other matters. Rates for some customer classes will increase and rates for other classes will decline, based on usage; however, on average for all customer classes, AEP Ohio customers are expected to see average annual rate changes ranging from -1% to -6% during the ESP period as compared to current rates. AEP Ohio proposes to recover certain other costs through riders during the ESP period; however, those costs and the subsequent rate impacts are not known at this time.

Any person may request to become a party to the proceeding.

Further information, such as requesting a copy of the filing, may be obtained by contacting the Public Utilities Commission of Ohio, 180 East Broad Street, Columbus, Ohio 43215-3793, viewing the Commission’s web page at <http://www.puc.state.oh.us>, or contacting the Commission’s call center at 1-800-686-7826.

## **CERTIFICATE OF SERVICE**

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

/s/ Steven T. Nourse

Steven T. Nourse

### **EMAIL SERVICE LIST for AMENDED ESP III EXT**

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

**Commission of Ohio Docketing Information System on**

**11/23/2016 1:27:15 PM**

**in**

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

Summary: Application - Ohio Power Company's Application to Amend its Electric Security Plan electronically filed by Mr. Steven T Nourse on behalf of Ohio Power Company