



Legal Department

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February 13, 2018

The Honorable Greta See
Attorney Examiner
Public Utilities Commission of Ohio
180 East Broad Street
Columbus, Ohio 43215-3793

Steven T. Nourse
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Re: *In the Matter of the Application of Ohio Power Company for
Administration of the Significantly Excessive Earnings Test for 2016 under
Section 4928.143(F), Revised Code, and Rule 4901:1-35-10, Ohio
Administrative Code; Case No.17-1230-EL-UNC*

Attorney Examiner See:

Enclosed please find a Stipulation and Recommendation (Stipulation) being filed to resolve this case. AEP Ohio requests that a new procedural schedule be established so the Commission can consider adoption of the Stipulation.

Thank you for your attention to this matter.

Respectfully,

//s/ Steven T. Nourse

cc: Parties of Record

BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ohio)	
Power Company for Administration of the)	
Significantly Excessive Earnings Test for 2016)	Case No. 17-1230-EL-UNC
Under Section 4928.143(F), Revised Code,)	
and Rule 4901:1-35-10, Ohio Administrative)	
Code.)	

STIPULATION AND RECOMMENDATION

I. INTRODUCTION

Rule 4901-1-30, Ohio Administrative Code (“O.A.C.”), provides that any two or more parties to a proceeding may enter into a written or oral stipulation concerning the issues presented in such a proceeding. This document sets forth the understanding and agreement of the parties who have signed below (Signatory Parties) and jointly recommend that the Public Utilities Commission of Ohio (Commission) approve and adopt this Stipulation and Recommendation (Stipulation) without modification, which resolves all of the issues raised in the above-captioned proceedings involving Ohio Power Company (“AEP Ohio” or the “Company”).

This Stipulation is submitted for purposes of this proceeding only. Except for purposes of enforcement of the terms of this Stipulation, this Stipulation (including the information and data contained therein or attached) shall not be cited as precedent in any future proceeding for or against any Signatory Party. The circumstances of this case are unique; thus, using the terms of this Stipulation in any other case is inappropriate and undermines the willingness of the parties to

compromise. This Stipulation is a reasonable compromise involving a balancing of competing positions and it does not necessarily reflect the position that one or more of the Signatory Parties would have taken if these issues had been fully litigated. This Stipulation recognizes that each Signatory Party may disagree with individual provisions of this Stipulation, but also recognizes that the Stipulation has value as a whole.

II. SIGNATORY PARTIES

The Signatory Parties are AEP Ohio and Staff.¹ The Signatory Parties agree that the Stipulation violates no regulatory principle or precedent, and that it is the product of serious arm's length bargaining among knowledgeable and capable parties in an open and cooperative process in which all Signatory Parties were represented by able counsel and technical experts. While this Stipulation is not binding on the Commission, it is entitled to careful consideration by the Commission where, as here, it represents a comprehensive compromise of issues raised by parties representing a wide range of interests. The Signatory Parties believe that the Stipulation that they are recommending for Commission adoption presents a fair and reasonable result that, as a package, benefits ratepayers and is in the public interest. For purposes of resolving the issues raised by these proceedings, the Signatory Parties, by and through their respective counsel, stipulate, agree and recommend as set forth below.

III. BACKGROUND AND PROCEDURAL RECITALS

WHEREAS, AEP Ohio is an electric utility and an electric distribution utility as those terms are defined in Section 4928.01, Revised Code, and an electric utility operating company subsidiary of American Electric Power Company, Inc.;

¹ Pursuant to Rule 4901-1-10(C), O.A.C., the Staff of the Commission ("Staff") is considered a party for the purposes of entering into a stipulation under Rule 4901-1-30, O.A.C.

WHEREAS, in 2008, the Ohio General Assembly passed Substitute Senate Bill 221, which included new Section 4928.143, Revised Code, establishing the option for an electric distribution utility to provide an Electric Security Plan (ESP) as the standard service offer required by Section 4928.141, Revised Code;

WHEREAS, the Commission through a February 25, 2015 Opinion and Order approved an ESP for AEP Ohio in Case Nos. 13-2385-EL-SSO et al. (*ESP III* Cases) whose term was from June 2015 through May 2018.

WHEREAS, Section, 4928.143(F), Revised Code, contains a significantly excessive earnings test (SEET) applicable to AEP Ohio's approved ESP adopted in the *ESP II* and *ESP III* Cases;

WHEREAS, AEP Ohio initiated Case No. 17-1230-EL-UNC as required by Rule 4901:1-35-10, O.A.C. (2016 SEET Case), including prefiled direct testimony which supports findings and conclusions that AEP Ohio did not have significantly excessive earnings during, and passed the SEET, for 2016;

WHEREAS, the Office of the Ohio Consumers' Counsel (OCC) intervened and filed testimony in this case;

WHEREAS, Staff filed testimony in the 2016 SEET Case on January 16, 2018 which supports findings and conclusions that AEP Ohio did not have significantly excessive earnings during, and passed the SEET, for 2016;

WHEREAS, the Signatory Parties agree on how to resolve the issues presented in the 2016 SEET Case, as reflected in their recommendations set forth below;

WHEREAS, the Signatory Parties believe that the agreements herein represent a fair and reasonable solution to all of the issues raised in the 2016 SEET Case;

WHEREAS, the Stipulation represents the product of serious bargaining among capable, knowledgeable parties;

WHEREAS, the Stipulation as a package benefits consumers and the public interest; and

WHEREAS, the terms and conditions of this Stipulation satisfy the policies of the State of Ohio as set forth in Section 4928.02, Revised Code and do not violate any important regulatory policies or principles.

NOW, THEREFORE, the Signatory Parties stipulate, agree and recommend that the Commission should issue its Opinion and Order in these proceedings accepting and adopting this Stipulation and relying upon its provisions as the basis for resolving all issues raised by these proceedings:

IV. RECOMMENDATIONS

The Signatory Parties recommend the Commission find as follows:

A. The testimony filed by AEP Ohio on May 15, 2017 and by Staff on January 16, 2018 should be admitted as evidence of record subject to cross examination at an evidentiary hearing;

B. Based upon the Company's testimony, AEP Ohio's 2016 adjusted SEET return on equity (ROE) was 14.97 % as supported in the testimony of AEP Ohio witness Tyler H. Ross;

C. AEP Ohio witness William A. Allen's testimony supports a finding that the comparable risk group's mean earned ROE is 10.69%. Under the established method for calculating a SEET threshold, an adder is calculated based on 1.64 standard deviations. In this case that adder would be 7.00% resulting in a SEET threshold of 17.69% using the Company's calculation;

D. Staff witness Joseph P. Buckley's testimony supports a finding that the comparable risk group's mean earned ROE is 8.67%. Using an adder calculated based on 1.64 standard deviations, Staff calculated a SEET threshold of 16.08%;

E. The analysis in AEP Ohio's and Staff's testimony is consistent with the methodology used by the Commission in prior AEP Ohio SEET cases and supports a conclusion that AEP Ohio's 2016 earned ROE does not constitute significantly excessive earnings under Section 4928.143(F) of the Revised Code; and

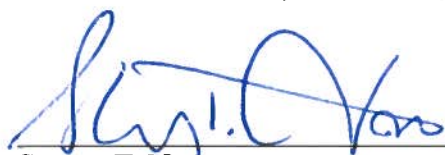
F. Accordingly, the Signatory Parties agree that AEP Ohio's 2016 earned ROE does not constitute significantly excessive earnings under Section 4928.143(F) of the Revised Code.

V. GENERAL CONDITIONS

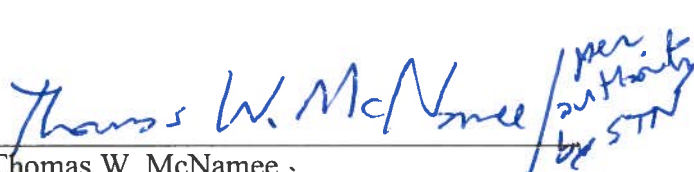
This Stipulation, if adopted by the Commission, will resolve all issues arising from the proceedings referenced above. The settlement agreement embodied in this Stipulation was reached only after negotiations between the Company, OCC and Staff, and it reflects a bargained compromise involving a balancing of competing interests. Because the Stipulation is an integrated settlement, it is expressly conditioned upon the Commission adopting the same in its entirety without material modification. Rejection of all or any part of the Stipulation and Recommendation by the Commission shall be deemed to be a material modification for purposes of this provision. Upon the Commission's issuance of a decision that does not adopt this Stipulation in its entirety without material modification, or the alternative proposal, if one is submitted, a Signatory Party may withdraw from the Stipulation by filing a notice with the Commission within thirty (30) days after the Commission's decision. Upon the filing of a notice of termination and withdrawal, the Stipulation shall immediately become null and void.

In such event, this proceeding shall go forward from the procedural point at which the Stipulation was filed, and the parties will be afforded the opportunity to present evidence through witnesses, to cross-examine all witnesses, to present rebuttal testimony, and to brief all issues which shall be decided based upon the record and briefs, as if this Stipulation had never been executed.

AGREED this 13th day of February, 2018.



Steven T. Nourse
On behalf of Ohio Power Company



Thomas W. McNamee
Assistant Attorney General,
Public Utilities Section
On behalf of the Staff of the Public Utilities
Commission of Ohio

This foregoing document was electronically filed with the Public Utilities

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in

Case No(s). 17-1230-EL-UNC

Summary: Stipulation and Recommendation electronically filed by Mr. Steven T Nourse on behalf of Ohio Power Company