

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Review of the)	
Operational Benefits Assessment)	Case No. 18-1618-EL-RDR
of the gridSMART Deployment of Ohio)	
Power Company)	

JOINT STIPULATION AND RECOMMENDATION

I. Introduction

Rule 4901-1-30 of the Ohio Administrative Code provides that any two or more parties¹ to a proceeding may enter into a written stipulation covering 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 present to the Public Utilities Commission of Ohio (“Commission”) this Joint Stipulation and Recommendation (“Stipulation”) in order to resolve all of the issues raised in this proceeding involving the operational savings credit associated with the gridSMART Rider of Ohio Power Company (“AEP Ohio” or the “Company”).

This Stipulation is a product of lengthy, serious, arm’s-length bargaining among the Signatory Parties and other parties who chose not to sign the Stipulation (all of whom are capable, knowledgeable parties), which negotiations were undertaken by the Signatory Parties to settle this proceeding. All intervenors were invited to discuss and negotiate this Stipulation and it was openly negotiated among those stakeholders who responded and chose to participate. This Stipulation is supported by adequate data and information. As a package, the Stipulation benefits customers and the public interest, provides direct benefits

¹ Staff is a party for purposes of this Stipulation. Ohio Adm. Code 4901-1-10(C).

to residential and low income customers, represents a just and reasonable resolution of all issues in this proceeding, violates no regulatory principle or practice, and complies with and promotes the policies and requirements of Title 49 of the Ohio Revised Code. This Stipulation represents an accommodation of the diverse interests represented by the Signatory Parties and, though not binding, is entitled to careful consideration by the Commission. For purposes of resolving the issues raised by these proceedings, the Signatory Parties agree to fully support adoption of the Stipulation without modification in this proceeding and stipulate, agree, and recommend as set forth below.

II. Recitals

WHEREAS, in Case No. 13-1939-EL-RDR, the Commission modified and approved a joint stipulation and recommendation (gridSMART Phase 2 Stipulation) regarding AEP Ohio's application to implement Phase 2 of its gridSMART project;

WHEREAS, pursuant to the gridSMART Phase 2 Stipulation, Staff is authorized to retain an external consultant to review the Phase 1 and Phase 2 operational benefits of AEP Ohio's gridSMART project;

WHEREAS, the gridSMART Phase 2 Stipulation provides that the consultant will evaluate and recommend an ongoing level of operational benefits to be achieved and recognized in rates, to the extent such operational savings are not already reflected in rates; and

WHEREAS, on April 12, 2019, the Daymark Energy Advisors filed its report in this proceeding regarding potential operational benefits;

NOW, THEREFORE, the Signatory Parties stipulate, agree, and recommend that the Commission should issue its decision in these proceedings accepting and adopting this

Stipulation and relying upon its provisions as the basis for resolving all issues raised by this proceeding.

III. Joint Recommendations of Signatory Parties

The Signatory Parties recommend that the Commission adopt without modification the terms and conditions of the Stipulation to fully adjudicate and resolve these proceedings:

- A. Subject to the terms of this settlement, the increased annualized level of operational savings credit to be applied against the gridSMART rider will be \$1.858 million for July-December 2019 less any credits provided during that period at the time the new 2019 credit is implemented, \$8.230 million in 2020 and \$8.396 million in 2021. For all three years, these credit amounts will be allocated 60% to the residential customer class and 40% to commercial and industrial customer classes. This allocation reflects that the operational savings are associated with the number of AMI meters installed, which are largely attributable to the residential customer class. This allocation of operational savings credits does not modify the allocation of costs to customer classes established in the Global Settlement in Case No. 10-2929-EL-UNC, et al.
- B. The operational savings in Paragraph A do not reflect an offset for the estimated \$1.4 million for severances paid by the Company during the 2019-2020 time period, which shall be recovered in the gridSMART Phase 2 Rider (subject to financial and prudence audits).
- C. Effective on the first billing cycle after Commission approval of the settlement, the replacement 2019 credit level in Paragraph A will be prospectively implemented through the gridSMART rider. If the Commission approves the settlement in time for at least one billing period remaining in 2019, the entire amount for 2019 will be flowed through in

2019; if the Commission does not approve the settlement by that time, the amount for 2019 will be added to the 2020 operational savings credit. The operational savings credit will terminate subject to final reconciliation at the end of the billing period preceding the new rates becoming effective as a result of an application for increased rates under R.C. 4909.18 to be filed by June 2020 (EL-AIR case).

- D. The increased annualized credit levels in Paragraph A will replace, not supplement, the current operational savings credit of \$1.6 million per year.
- E. The annualized 2021 credit level in Paragraph A will remain in effect until new rates from the Company's EL-AIR case become effective, at which time the operational savings will be reflected in base rates.
- F. For 2019 and 2020, the revenues collected during the increased credit period will be reconciled to the annualized credit levels in Paragraph A. For 2021 and, if applicable, any subsequent years, the operational savings credit will be reconciled to the proportion of the annualized level for 2021 reached prior to termination (*e.g.*, 25% of the 2021 level if terminated after March, 50% of the 2021 level if terminated after June, *etc.*). To the extent the new EL-AIR rates become effective after the end of 2021, the operational savings credit will, subject to final reconciliation, remain at the 2021 level until the new EL-AIR rates become effective.
- G. The annualized credit levels in Paragraph A reflect the savings identified by the Auditor for credit and collections relating to the tariffed reconnection service charges. As such, the credit is being applied through the rider in lieu of lowering the reconnection service charges. The reconnection charges will be addressed in the base distribution rate case to be filed in 2020, as provided in Case Nos. 13-1938-EL-WVR et al.

- H. After Commission approval of the Settlement, the Company will begin tracking the following data to improve the future measurement of benefits associated with the gridSMART project. The information will be reported annually, along with the existing non-financial metrics, through the deployment period for gridSMART Phase 2. For DACR-enabled circuits, the Company will track customer minutes of interruption (CMI) avoided, allocated to customer classes based on the general customer mix on that circuit.
- I. The Company agrees to extend the performance metric tracking and reporting obligation in Paragraph IV.2 of the Stipulation and Recommendation (dated February 29, 2016) in Case No. 13-1939-EL-RDR through 2024.

IV. The Three-Part Test for Commission Approval

The Signatory Parties agree that the Stipulation satisfies the three-part test traditionally used by the Commission to consider stipulations. Specifically, the Signatory Parties agree that:

1. the Stipulation is a product of serious bargaining among capable, knowledgeable parties representing diverse interests;
2. the Stipulation does not violate any important regulatory principle or practice; and,
3. the Stipulation as a whole, benefits customers and the public interest.

V. Procedural Matters

- A. Except for enforcement purposes or to establish that the terms of the Stipulation are lawful, neither the Stipulation nor the information and data contained herein shall be cited as a precedent in any future proceeding for or against any Signatory Party or any non-opposing party, if the Commission approves the Stipulation. Nor shall the

acceptance of any provision within this settlement agreement be cited by any party or the Commission in any proceeding so as to imply or state that any Signatory Party agrees with any specific provision of the settlement. More specifically, no specific element or item contained in or supporting this Stipulation shall be construed or applied to attribute the results set forth in this Stipulation as the results that any Signatory Party might support or seek, but for this Stipulation, in these proceedings or in any other proceeding. This Stipulation contains a combination of outcomes that reflects an overall compromise involving a balance of competing positions, and it does not necessarily reflect the position that one or more of the Signatory Parties would have taken on any individual issue. Rather, the Stipulation represents a package that, taken as a whole, is acceptable for the purposes of resolving all contested issues without resorting to litigation. The Signatory Parties believe that this Stipulation, taken as a whole, represents a reasonable compromise of varying interests.

- B. The Signatory Parties will support the Stipulation if the Stipulation is contested, and no Signatory Party will oppose an application for rehearing designed to defend the terms of this Stipulation.
- C. This Stipulation is expressly conditioned upon adoption of the Stipulation by the Commission in its entirety and without material modification; provided, however, that each Signatory Party and non-opposing party has the right, in its sole discretion, to determine whether the Commission's approval of this Stipulation constitutes a "material modification" thereof. If the Commission rejects or materially modifies all or any part of this Stipulation, any Signatory Party shall have the right, within 30

days after the issuance of the Commission's order, to apply for rehearing or to terminate and withdraw from the Stipulation by filing a notice with the Commission in this proceeding and serving all Signatory Parties. The Signatory Parties agree that they will not oppose or argue against any other Party's application for rehearing that seeks to uphold the original, unmodified Stipulation. Upon the Commission's issuance of an entry on rehearing that does not adopt the Stipulation in its entirety without material modification, any Signatory Party may terminate and withdraw from the Stipulation by filing a notice with the Commission within 30 days of the Commission's entry on rehearing.

- D. No Signatory Party shall file a notice of termination and withdrawal pursuant to Section V.D without first negotiating in good faith with the other Signatory Parties to achieve an outcome that substantially satisfies the intent of the Stipulation. If a new agreement is reached, the Signatory Parties will file the new agreement for Commission review and approval. If the discussions to achieve an outcome that substantially satisfies the intent of the Stipulation are successful, some, or all, of the Signatory Parties shall submit the amended Stipulation to the Commission for approval after a hearing if necessary.
- E. Unless the Signatory Party exercises its right to terminate its Signatory Party status or withdraw as described above, each Signatory Party agrees to and will support the reasonableness of this Stipulation before the Commission, and to cause its counsel to do the same, and in any appeal it participates in from the Commission's adoption and/or enforcement of this Stipulation. The Signatory Parties also agree to urge the Commission to accept and approve the terms hereof as promptly as possible.

IN WITNESS WHEREOF, this Stipulation and Recommendation has been signed by the authorized agents of the undersigned Signatory Parties as of this 2nd day of October, 2019.

SIGNATORY PARTIES:

/s/ Werner L. Margard III
Werner L. Margard III
**On Behalf of the Staff of the Public Utilities
Commission of Ohio**

/s/ Steven T. Nourse
Steven T. Nourse
On Behalf of Ohio Power Company

/s/ Terry Etter
Terry Etter
On Behalf of the Office of the Ohio Consumers' Counsel

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