

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of)
Columbus Southern Power Company and)
Ohio Power Company, Individually and, if) Case No. 11-351-EL-AIR
Their Proposed Merger is Approved, as a) Case No. 11-352-EL-AIR
Merged Company (collectively, AEP Ohio))
for an Increase in Electric Distribution)
Rates.)

In the Matter of the Application of)
Columbus Southern Power Company and)
Ohio Power Company, Individually and, if) Case No. 11-353-EL-ATA
Their Proposed Merger is Approved, as a) Case No. 11-354-EL-ATA
Merged Company (collectively, AEP Ohio))
for Tariff Approval.)

In the Matter of the Application of)
Columbus Southern Power Company and)
Ohio Power Company, Individually and, if) Case No. 11-356-EL-AAM
Their Proposed Merger is Approved, as a) Case No. 11-358-EL-AAM
Merged Company (collectively, AEP Ohio))
for Approval to Change Accounting)
Methods.)

ENTRY

The Commission finds:

- (1) Columbus Southern Power Company (CSP) and Ohio Power Company (Ohio Power) (collectively, AEP-Ohio) are electric light companies as defined by Section 4905.03(A)(3), Revised Code, and public utilities as defined by Section 4905.02, Revised Code. Applicants are, therefore, subject to the jurisdiction of this Commission pursuant to Sections 4905.04, 4905.05, and 4905.06, Revised Code.
- (2) On February 28, 2011, AEP-Ohio filed applications seeking an increase in electric distribution rates, for approval of tariff modifications, and for approval of changes to certain accounting methods. Ohio Consumers' Counsel (OCC) and Ohio Energy Group (OEG) were granted intervention in the proceedings.

- (3) By Opinion and Order issued December 14, 2011, the Commission approved the applications submitted by the parties and modified and adopted by the Commission pursuant to a Stipulation and Recommendation (Distribution Case Stipulation). According to the Stipulation, its terms were dependent upon the recovery associated with the Distribution Investment Rider (DIR) sought in *In re Columbus Southern Power Company and Ohio Power Company*, Case No. 11-346-EL-SSO, et al., AEP-Ohio's application for approval of an electric security plan (*ESP II*), pursuant to a Stipulation and Recommendation filed on September 7, 2011 (*ESP II* Stipulation).

More specifically, the Distribution Case Stipulation provided that:

Signatory Parties to [Case No. 11-351-EL-AIR, et al.] are only agreeing on how to treat collection of distribution investment if the Commission approves the DIR mechanism as proposed in the *ESP II* Stipulation before the Commission. The Commission approval of the DIR in the *ESP II* case is linked to this agreement as a prerequisite to the elements of the bargain reached in these proceedings. Therefore, to the extent the Commission materially modifies the DIR in the *ESP II* to the detriment of AEP[-]Ohio, then AEP[-]Ohio has the right to withdraw from this agreement and litigate the issues as if the settlement in these cases had not been reached. AEP[-]Ohio must exercise this right no later than thirty (30) days of the final non-appealable order in the *ESP II* proceeding.

Thereafter, in the above-captioned case, on December 15, 2011, the Commission issued an Entry *Nunc Pro Tunc* for clarification. Additionally, by Entry on Rehearing issued February 14, 2012, the Commission denied applications for rehearing filed by Ohio Power¹ and OCC.

¹ On December 14, 2011, the Commission approved the merger of Ohio Power and CSP. *In re Columbus Southern Power Company and Ohio Power Company*, Case No. 10-2376-EL-UNC, et al., Opinion and Order (December 14, 2011).

- (4) Thereafter, in the *ESP II*, by Entry on Rehearing issued February 23, 2012, the Commission rejected the previously-approved *ESP II* Stipulation.
- (5) On March 15, 2012, in the above-captioned case, Ohio Power filed a motion seeking clarification and a request for expedited ruling. In its motion, Ohio Power seeks clarification of the Commission's approval of the Distribution Case Stipulation as well as the impact of the rejection of the *ESP II* Stipulation. Specifically, Ohio Power emphasizes that the Distribution Case Stipulation was predicated on approval of the DIR in the *ESP II* Stipulation, and that, without any clarification as requested, Ohio Power will exercise its right to withdraw from the Stipulation by March 23, 2012. Ohio Power requests a specific clarification that it has the right, at its sole discretion, to file a new distribution case subject to full Commission consideration anytime after the final order is filed in the modified *ESP II*. Ohio Power argues that, under the *ESP II* Stipulation, the DIR was set to expire on May 31, 2015, and there was an agreement that there would be no proceeding to allow an adjustment to base distribution rates prior to June 1, 2015. Consequently, a corollary provision appeared in the Distribution Case Stipulation setting forth that the increase in the distribution base rate revenue requirement would terminate on May 31, 2015, and that any change to the distribution rates upon expiration would occur only pursuant to an application for establishing rates filed under Section 4909.18, Revised Code.

Because the *ESP II* Stipulation has been disapproved, however, Ohio Power contends that the corollary provision in the Distribution Case Stipulation should be read only as ensuring that, for any subsequent increase in rates, Ohio Power will be required to file a new distribution case under Section 4909.18, Revised Code, and receive Commission approval based on the new base distribution rate case application. Ohio Power asserts that this clarification will avoid interruption of the benefits and terms of the Distribution Case Stipulation and will provide rate certainty in this time of transition and modification of the *ESP II* in order to benefit customers and avoid ongoing harm to Ohio Power.

- (6) Thereafter, on March 16, 2012, OEG filed a response to Ohio Power's motion seeking clarification. In its response, OEG

states that it supports Ohio Power's request. OEG adds that it believes the clarification is a confirmation of Ohio Power's statutory right to seek rate relief as permitted by law, as well as a means to provide stability to customers in the midst of uncertainty regarding Ohio Power's retail rates.

- (7) In light of the reasons set forth in Ohio Power's motion seeking clarification and the response filed by OEG, the Commission finds that the clarification requested is reasonable and should be granted. Therefore, the Commission clarifies that there is no provision in the Distribution Case Stipulation prohibiting Ohio Power from seeking an adjustment to base distribution rates prior to June 1, 2015.

It is, therefore,

ORDERED, That Ohio Power's motion for clarification and request for expedited ruling is granted. It is, further,

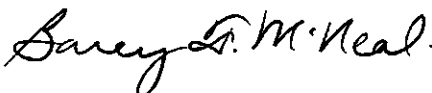
ORDERED, That a copy of this Entry be served upon all parties of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO


Todd A. Snitchler, Chairman
Paul A. Centolella
Steven D. Lesser
Andre T. Porter
Cheryl L. Roberto

MLW/vrm

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Barcy F. McNeal
Secretary