

FILE

JOINT EXHIBIT NO. 1

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of)
Columbus Southern Power Company)
and Ohio Power Company for Authority)
to Recover Costs Associated with the) Case No. 05-376-EL-UNC
Construction and Ultimate Operation)
of an Integrated Gasification Combined)
Cycle Electric Generation Facility)

JOINT STIPULATION AND RECOMMENDATION

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JOINT STIPULATION AND RECOMMENDATION

INTRODUCTION

Rule 4901-1-30, Ohio Administrative Code ("OAC"), provides that any two or more parties to any Public Utilities Commission of Ohio ("Commission") proceeding may enter into a written or oral stipulation concerning the issues presented in that proceeding. Pursuant to Rule 4901-1-10(C), OAC, the Staff of the Commission ("Staff") is considered a party for the purpose of entering into a stipulation under Rule 4901-1-30, OAC.

Pursuant to Rule 4901-1-30, OAC, Ohio Power Company ("OPCo" or "AEP Ohio"); Staff; the Office of the Ohio Consumers' Counsel ("OCC"); Industrial Energy Users-Ohio ("IEU-Ohio"); The Ohio Energy Group ("OEG"); Ohio Partners for Affordable Energy ("OPAE"); and Ohio Manufacturers Association Energy Group ("OMAEG") (hereinafter "the Intervenor Parties" and collectively with AEP Ohio, "the Parties") enter into and request that the Commission accept the following Joint Stipulation and Recommendation (also referred to as "the Stipulation") in the above-captioned proceeding.

STIPULATIONS

The Parties understand that this Stipulation is not binding upon the Commission. However, this Stipulation represents a cooperative effort by parties representing a broad range of interests to settle all of the issues in Case No. 05-376-EL-UNC. The history of this proceeding can be seen in the docket with the PUCO and in the appeals at the Supreme Court of Ohio. The Parties agree and recommend that the Commission approve the Stipulation and adopt it as the basis for finding that the Stipulation resolves all issues that remain outstanding in this proceeding.

Therefore, the Parties, by and through their respective counsel, hereby agree and stipulate to the following matters:

The Parties stipulate and agree that:

1. Refund. OPCo will refund to the benefit of customers \$13 million in the first billing month following a final order adopting the Stipulation without material modification. The \$13 million will be returned to customers as follows:

a. First, \$6 million will be allocated and returned to all residential customers through bill credits in the manner described and supported by AEP Ohio witness Moore's prefiled testimony – through a one-time bill credit evenly distributed amongst the members of the residential class of AEP Ohio,

b. As a compromise means to resolve this case, the commercial and industrial customers that are members of the following Signatory Parties that are customers of AEP Ohio will receive the following partial repayment of amounts that they previously paid through the Phase I IGCC Rider:

OEG	\$800,000
IEU-Ohio	\$600,000

OMAEG	\$150,000
OPAE	\$100,000

To reduce the administrative complexity associated with these repayments, AEP Ohio will pay these amounts to the listed Signatory Parties. Each listed Signatory Party will in turn distribute the entirety of the funds received to its members that the Signatory Party represents and shall not retain any portion of the funds. Each listed Signatory Party shall notify the Commission of its receipt of the funds within seven days thereof and will distribute the funds to its customer members within thirty days of receipt. Each listed Signatory Party will, by affidavit filed with the Commission within sixty days of the receipt of the funds, affirm that the funds have been distributed to its members.^{1,2}

c. The remaining \$5,350,000 of the \$13 million refund will be allocated and returned to all customers through bill credits, in the amounts allocated to each class of customers based on the percentage of the Phase I IGCC Rider billed to each class, as described and supported by AEP Ohio witness Moore's prefiled testimony, as follows:

Rate Schedule	% of Refund
Residential (RS)	40.24%
GS-1	1.94%
GS-2	14.00%
GS-3	27.30%
GS-4	16.15%
EHG	0.02%
EHS	0.00%
SS	0.16%
Lighting	<u>0.20%</u>
	100.00%

¹ For purposes of this paragraph, IEU-Ohio will distribute to its current members that participated in this proceeding.

² As the residential consumer advocate, OCC is not participating as a signatory party in the Stipulation with respect to provision 1.b., which pertains to commercial and industrial customers.

2. SEET. The Signatory Parties agree that the \$13 million of settlement payments made as a result of the Stipulation in this case shall include an approximate \$4.7 million previously accrued reserve (including interest) and an approximate \$8.3 million pretax reduction to the earnings to be used in the calculation of the Significantly Excessive Earnings Test for AEP Ohio for 2014, and that the Commission should find in its order approving the Stipulation that the settlement payments shall be treated in that manner.^{3,4}

3. Admission of Testimony. The Signatory Parties agree that all prefiled testimony in the above-captioned proceeding on remand should be admitted into the record of this proceeding for purposes of the Commission's consideration and adoption of this Stipulation. If the Commission rejects this Stipulation, or if the Commission materially modifies this Stipulation and, after the process provided below for addressing such a material modification, this Stipulation is terminated, then all testimony shall be stricken without prejudice to the Signatory Parties' rights to present and seek admission of such testimony into the record at any subsequent hearing on the remaining issues of this proceeding.

³ OCC is not participating as a Signatory Party in the Stipulation with respect to the treatment of the refund for purposes of future SEET proceedings. For purposes of this settlement, however, OCC will refrain from litigating this issue in this case or in AEP Ohio's 2014 SEET proceeding. OCC is refraining from litigating this issue in this case and in AEP Ohio's 2014 SEET proceeding because of the totality of this Stipulation (including especially the refund to residential consumers) and because of OCC's understanding that the treatment of the refund as a reduction to earnings in the 2014 SEET calculation will not materially impact what AEP Ohio may or may not return to customers under the 2014 SEET calculation. Under the terms of this Stipulation, OCC's decision not to litigate this issue will not be used as precedent against OCC in this case or in any other cases.

⁴ OMAEG takes no position on the treatment of the refund as a reduction to earnings in AEP Ohio's 2014 SEET proceeding. Nonetheless, OMAEG agrees that it will not litigate the aforementioned issue or oppose AEP Ohio's proposed treatment of it in either this case or AEP Ohio's 2014 SEET proceeding.

This Stipulation, if adopted by the Commission, will resolve all issues remaining in Case No. 05-376-EL-UNC, including the issues that the Ohio Supreme Court remanded to the Commission for further consideration and the directives and conditions set forth in the Commission's April 10, 2006 Opinion and Order and June 28, 2006 Entry on Rehearing in this proceeding.

The settlement agreement embodied in this Stipulation was reached after negotiations between and among the Parties, and it reflects a bargained compromise involving a balancing of competing interests. Although the Joint Stipulation and Recommendation does not necessarily reflect the position that certain of the Parties would have taken if all of the issues addressed herein had been fully litigated, the Parties believe that, as a package, the Joint Stipulation and Recommendation strikes a reasonable balance among the various interests represented by the Parties, does not violate any important regulatory principle, and is in the public interest. The Parties agree that this Joint Stipulation and Recommendation shall not be relied upon as precedent for or against any Party or the Commission itself in any subsequent proceeding, except as may be necessary to enforce the terms of the Joint Stipulation and Recommendation.

Because the Joint Stipulation and Recommendation 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 Joint Stipulation and Recommendation by the Commission shall be deemed to be a material modification for purposes of this provision. If the Commission materially modifies this Joint Stipulation and Recommendation, the Parties shall have the right, within thirty (30) days of the Commission's order, to file an application for

rehearing or to terminate and withdraw the Stipulation by filing a notice with the Commission.⁵ No Party shall oppose or argue against another Party's notice of termination or application for rehearing filed by any other Party that seeks, in this proceeding, to uphold the original, unmodified Stipulation. Upon the Commission's issuance of an entry on rehearing that does not adopt this Joint Stipulation and Recommendation in its entirety without material modification, or the alternative proposal, if one is submitted, a Party may terminate and withdraw from the Joint Stipulation and Recommendation by filing a notice with the Commission within thirty (30) days of the Commission's entry on rehearing. No Party shall oppose the termination of the Joint Stipulation and Recommendation by any other Party. Upon notice of termination and withdrawal by any Party, this Joint Stipulation and Recommendation shall immediately and automatically become null and void. In such event, the Commission shall establish a procedural schedule to decide the remaining issues in Case No. 05-376-EL-UNC as if this Joint Stipulation and Recommendation had never been filed, and shall decide the issues in any proceeding addressing the rights, obligations, and relationship of the affected stakeholders as if this Joint Stipulation and Recommendation had never been filed.

Prior to the filing of a notice of termination and withdrawal, the Party wishing to terminate agrees to work in good faith with the other Parties to achieve an outcome that substantially satisfies the intent of the Stipulation and, if a new agreement is reached that includes the Party wishing to terminate, then the new agreement shall be filed for PUCO review and approval. If the discussions to achieve an outcome that substantially satisfies the intent of the Stipulation are unsuccessful in reaching a new agreement that includes all Signatory Parties

⁵ The Commission Staff is not considered a Signatory Party for the purposes of requirements regarding rehearing applications.

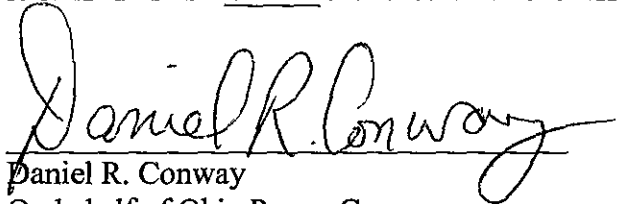
to the present Stipulation, the PUCO will convene an evidentiary hearing such that the Parties will be afforded the opportunity to present evidence through witnesses, to cross-examine witnesses, to present rebuttal testimony, and to brief all issues that the PUCO shall decide based upon the record and briefs as if this Stipulation had never been executed. Some, or all, of the Parties may submit a new agreement to the PUCO for approval if the discussions achieve an outcome they believe substantially satisfies the intent of the present Stipulation.


The Parties have agreed to the above-described process to be followed in the event the Commission materially modifies the terms of this Joint Stipulation and Recommendation in recognition of the unique circumstances involved. A Party's agreement to this process for purposes of this Joint Stipulation and Recommendation shall not be interpreted as binding such Party to support a similar process in any future proceeding, and the Commission's approval of this Joint Stipulation and Recommendation shall not be interpreted or otherwise relied upon as authority for utilizing this process as a template for stipulations in future proceedings.

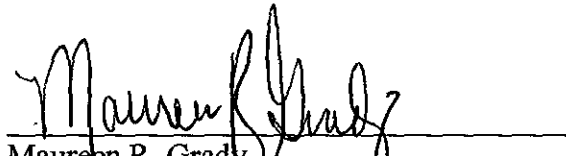
RECOMMENDATION

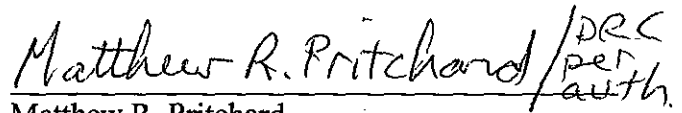
The Parties agree that the foregoing Joint Stipulation and Recommendation is in the best interests of all parties and urge the Commission to adopt the Stipulation as a reasonable basis for resolving all remaining issues in this proceeding.

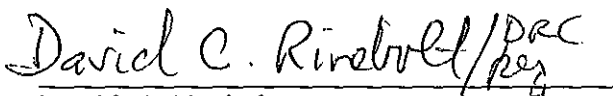
AGREED THIS 22nd DAY OF DECEMBER, 2014.

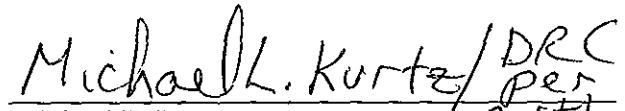

Daniel R. Conway
On behalf of Ohio Power Company

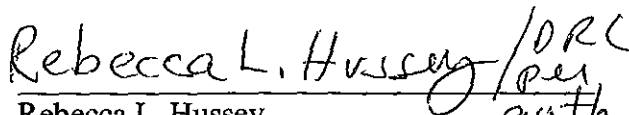

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On behalf of Staff of the Public Utilities
Commission of Ohio



Maureen R. Grady
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