

## THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE APPLICATION  
SEEKING APPROVAL OF OHIO POWER  
COMPANY'S PROPOSAL TO ENTER INTO  
AN AFFILIATE POWER PURCHASE  
AGREEMENT FOR INCLUSION IN THE  
POWER PURCHASE AGREEMENT RIDER.

CASE NO. 14-1693-EL-RDR

IN THE MATTER OF THE APPLICATION OF  
OHIO POWER COMPANY FOR APPROVAL  
OF CERTAIN ACCOUNTING AUTHORITY.

CASE NO. 14-1694-EL-AAM

### ENTRY

Entered in the Journal on December 21, 2016

#### I. SUMMARY

{¶ 1} The Commission approves Ohio Power Company d/b/a AEP Ohio's proposed power purchase agreement rider tariffs, as filed and corrected on December 7, 2016, and its proposed bill format, as filed on December 9, 2016.

#### II. DISCUSSION

{¶ 2} Ohio Power Company d/b/a AEP Ohio (AEP Ohio or the Company) is an electric distribution utility as defined in R.C. 4928.01(A)(6) and a public utility as defined in R.C. 4905.02, and, as such, is subject to the jurisdiction of this Commission.

{¶ 3} R.C. 4928.141 provides that an electric distribution utility shall provide consumers within its certified territory a standard service offer (SSO) of all competitive retail electric services necessary to maintain essential electric services to customers, including a firm supply of electric generation services. The SSO may be either a market rate offer in accordance with R.C. 4928.142 or an electric security plan (ESP) in accordance with R.C. 4928.143.

{¶ 4} In Case No. 13-2385-EL-SSO, et al., the Commission modified and approved AEP Ohio's application for an ESP for the period beginning June 1, 2015, through May 31,

2018, pursuant to R.C. 4928.143. *In re Ohio Power Co.*, Case No. 13-2385-EL-SSO, et al. (*ESP 3 Case*), Opinion and Order (Feb. 25, 2015), Second Entry on Rehearing (May 28, 2015), Fourth Entry on Rehearing (Nov. 3, 2016). Among other matters, the Commission concluded that AEP Ohio's proposed power purchase agreement (PPA) rider, which would flow through to customers the net impact of the Company's contractual entitlement associated with the Ohio Valley Electric Corporation (OVEC), satisfies the requirements of R.C. 4928.143(B)(2)(d) and, therefore, is a permissible provision of an ESP. The Commission stated, however, that it was not persuaded, based on the evidence of record, that AEP Ohio's PPA rider proposal would provide customers with sufficient benefit from the rider's financial hedging mechanism or any other benefit that is commensurate with the rider's potential cost. Noting that a properly conceived PPA rider proposal may provide significant customer benefits, the Commission authorized AEP Ohio to establish a placeholder PPA rider, at an initial rate of zero, for the term of the ESP, with the Company being required to justify any future request for cost recovery. Finally, the Commission determined that all of the implementation details with respect to the placeholder PPA rider would be determined in a future proceeding, following the filing of a proposal by AEP Ohio that addresses a number of specific factors, which the Commission will consider, but not be bound by, in its evaluation of the Company's filing. In addition, the Commission indicated that AEP Ohio's PPA rider proposal must address several other issues specified by the Commission. *ESP 3 Case*, Opinion and Order (Feb. 25, 2015) at 20-22, 25-26.

{¶ 5} On October 3, 2014, in the above-captioned proceedings, AEP Ohio filed an application seeking approval of a proposal to enter into a new affiliate PPA with AEP Generation Resources, Inc. (AEPGR).

{¶ 6} Following the issuance of the Commission's Opinion and Order in the *ESP 3 Case*, AEP Ohio filed, on May 15, 2015, an amended application and supporting testimony, again seeking approval of a new affiliate PPA with AEPGR and also requesting authority to

include the net impacts of both the affiliate PPA and the Company's OVEC contractual entitlement in the placeholder PPA rider approved in the *ESP 3 Case*.

{¶ 7} An evidentiary hearing in these proceedings commenced on September 28, 2015, and concluded on November 3, 2015.

{¶ 8} On December 14, 2015, AEP Ohio filed a joint stipulation and recommendation (stipulation) for the Commission's consideration.

{¶ 9} The evidentiary hearing on the stipulation commenced on January 4, 2016, and concluded on January 8, 2016.

{¶ 10} On March 31, 2016, the Commission issued an Opinion and Order that approved the stipulation with modifications. Among other matters, the Commission determined that, as part of AEP Ohio's first quarterly adjustment filing that occurs on or before September 1, 2016, the Company should include a true-up to reflect actual values and an updated forecast of the PPA rider's projected impact, which should be based on the most recent data available to the Company. Opinion and Order at 90.

{¶ 11} On April 29, 2016, and May 2, 2016, several parties to these proceedings filed applications for rehearing of the Opinion and Order.

{¶ 12} By Entry on Rehearing dated May 25, 2016, the Commission granted rehearing for further consideration of the matters specified in the applications for rehearing.

{¶ 13} On August 24, 2016, AEP Ohio filed a motion to defer tariff filing and request for expedited ruling. In the motion, AEP Ohio requested that the September 1, 2016 deadline for the tariff filing required by the PPA Order be extended until 20 days after the issuance of the Commission's rehearing decision. AEP Ohio's motion was granted by Entry dated August 26, 2016.

{¶ 14} By Second Entry on Rehearing dated November 3, 2016, the Commission granted, in part, and denied, in part, the applications for rehearing filed with respect to the March 31, 2016 Opinion and Order. Among other issues, the Commission granted AEP Ohio's request to modify the stipulation, such that the OVEC PPA is included in the PPA rider, the affiliate PPA with AEPGR is not included in the rider, and all other provisions of the stipulation remain in effect as approved or modified by the Commission. Additionally, the Commission determined that AEP Ohio should defer, without carrying charges, any OVEC costs incurred for the period of June 2016 through December 2016, with recovery of such costs to occur beginning with the first billing cycle of January 2017 and continuing over the 12 months of calendar year 2017. AEP Ohio was directed to file proposed tariffs with supporting schedules, consistent with the Second Entry on Rehearing. Second Entry on Rehearing at 27-28, 29.

{¶ 15} On November 18, 2016, AEP Ohio filed a motion to defer tariff filing and request for expedited ruling. In the motion, AEP Ohio noted that its tariff filing was due on November 23, 2016, pursuant to the August 26, 2016 Entry. AEP Ohio requested an extension of the tariff filing deadline until December 7, 2016. AEP Ohio's motion was granted by Entry dated November 21, 2016.

{¶ 16} On December 7, 2016, AEP Ohio filed its proposed PPA rider tariffs to be effective with the first billing cycle of January 2017. On that same date, AEP Ohio filed a corrected version of its proposed tariffs. In the corrected tariff filing, AEP Ohio notes that the updated PPA rider tariffs reflect the actual OVEC-only charges, on a nonbypassable basis, for the period of June through September 2016 and forecasted costs for October 2016 through March 2017. AEP Ohio further notes that, in accordance with the Second Entry on Rehearing, the 2016 costs will be collected beginning with the first billing cycle of January 2017 and continuing over the 12 months of calendar year 2017, with the forecasted costs for January through March 2017 collected over the same period. According to AEP Ohio, on a going-forward basis, the quarterly update filings would propose a rate reflecting both the prior

quarter reconciliation to actual results and projections for the next quarter. AEP Ohio requests that the Commission approve its proposed rates and a process whereby the Company's quarterly adjusted OVEC rates would become effective unless Staff raises an issue prior to the billing cycle during which the quarterly adjustments are to become effective.

{¶ 17} On December 9, 2016, AEP Ohio filed a proposed bill format seeking approval, on an expedited basis, to include separate line items on customer bills for the PPA rider and associated five percent rate impact mechanism.

{¶ 18} On December 12, 2016, Staff filed its review and recommendations. Staff recommends that AEP Ohio's proposed PPA rider tariffs be approved, as corrected on December 7, 2016. Staff also recommends that AEP Ohio correct the date of the Commission's orders in the final version of the PPA rider tariffs filed by the Company.

{¶ 19} Upon review of AEP Ohio's proposed PPA rider tariffs, as corrected, and Staff's review and recommendation, the Commission finds that the proposed PPA rider tariffs, as corrected, are consistent with the November 3, 2016 Second Entry on Rehearing and should be approved, effective with the first billing cycle of January 2017. As recommended by Staff, AEP Ohio should correct the date of the Commission's orders in the final version of the PPA rider tariffs. With respect to AEP Ohio's request for approval of a going-forward process for adjustments to the PPA rider, we note that the Company should adhere to the process set forth in the March 31, 2016 Opinion and Order. Opinion and Order at 89-90. Finally, we find that AEP Ohio's proposed bill format should be approved.

### III. ORDER

{¶ 20} It is, therefore,

{¶ 21} ORDERED, That AEP Ohio's bill format, as filed on December 9, 2016, be approved. It is, further,


{¶ 22} ORDERED, That AEP Ohio be authorized to file tariffs, in final form, consistent with this Entry. AEP Ohio shall file one copy in this case docket and one copy in its TRF docket. It is, further,

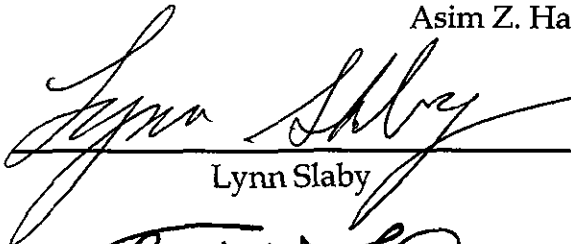
{¶ 23} ORDERED, That the effective date of the new tariffs shall be a date not earlier than the first day of the January 2017 billing cycle and the date upon which the final tariff pages are filed with the Commission. It is, further,

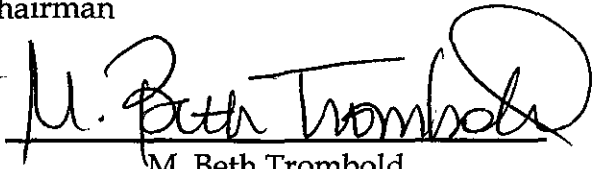
{¶ 24} ORDERED, That AEP Ohio shall notify all affected customers via a bill message or bill insert within 30 days of the effective date of the tariffs. A copy of the customer notice shall be submitted to the Commission's Service Monitoring and Enforcement Department, Reliability and Service Analysis Division, prior to its distribution to customers. It is, further,

{¶ 25} ORDERED, That a copy of this Entry be served upon all parties of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO

  
Asim Z. Haque, Chairman

  
Lynn Slaby


  
M. Beth Trombold

  
Thomas W. Johnson

  
M. Howard Petricoff

SJP/sc

Entered in the Journal **DEC 21 2016**

  
Barcy F. McNeal  
Secretary