

BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Commission Review )  
of the Capacity Charges of Ohio Power ) Case No. 10-2929-EL-UNC  
Company and Columbus Southern Power )  
Company )

In the Matter of the Application of )  
Columbus Southern Power Company and )  
Ohio Power Company for Authority to ) Case No. 11-346-EL-SSO  
Establish a Standard Service Offer ) Case No. 11-348-EL-SSO  
Pursuant to §4928.143, Ohio Rev. Code, )  
in the Form of an Electric Security Plan. )

In the Matter of the Application of )  
Columbus Southern Power Company and ) Case No. 11-349-EL-AAM  
Ohio Power Company for Approval of ) Case No. 11-350-EL-AAM  
Certain Accounting Authority )

In the Matter of the Application of )  
Ohio Power Company to Adopt a ) Case No. 14-1186-EL-RDR  
Final Implementation Plan for the )  
Retail Stability Rider )

In the Matter of the Application of Columbus )  
Southern Power Company for Approval of a ) Case No. 11-4920-EL-RDR  
Mechanism to Recover Deferred Fuel Costs )  
Ordered Under Ohio Revised Code 4928.144 )

In the Matter of the Application of Ohio )  
Power for Approval of a Mechanism to ) Case No. 11-4921-EL-RDR  
Recover Deferred Fuel Costs Ordered )  
Under Ohio Revised Code 4928.144 )

In the Matter of the Fuel Adjustment ) Case No. 09-872-EL-FAC  
Clauses for Columbus Southern Power ) Case No. 09-873-EL-FAC  
Company and Ohio Power Company )

In the Matter of the Application of the )  
Fuel Adjustment Clauses for Columbus ) Case No. 11-5906-EL-FAC  
Southern Power Company and Ohio )  
Power Company and Related Matters )

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In the Matter of the Fuel Adjustment Clauses for Columbus Southern Power Company and Ohio Power Company	) ) )	Case No. 12-3133-EL-FAC
In the Matter of the Fuel Adjustment Clause for Ohio Power Company	) )	Case No. 13-572-EL-FAC
In the Matter of the Fuel Adjustment Clause for Ohio Power Company	) )	Case No. 13-1286-EL-FAC
In the Matter of the Fuel Adjustment Clause for Ohio Power Company	) )	Case No. 13-1892-EL-FAC
In the Matter of the Application of Ohio Power Company for Administration of the Significantly Excessive Earnings Test for 2014 Under Section 4928.143(F), Revised Code, and Rule 4901:1-35-10, Ohio Administrative Code	) ) ) ) ) ) )	Case No. 15-1022-EL-UNC
In the Matter of the Application of Ohio Power Company for Administration of the Significantly Excessive Earnings Test for 2015 Under Section 4928.143(F), Revised Code, and Rule 4901:1-35-10, Ohio Administrative Code	) ) ) ) ) ) )	Case No. 16-1105-EL-UNC

**JOINT STIPULATION AND RECOMMENDATION**

**I. Introduction**

Rule 4901-1-30, Ohio Administrative Code (OAC), provides that any two or more parties 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 (“Global Settlement”) as a global settlement resolving all of the issues in all of the above-captioned proceedings involving Ohio Power Company (“AEP Ohio” or the “Company”).

This Global Settlement is a product of lengthy, serious, arm's-length bargaining among the Signatory Parties and other parties who chose not to sign the Global Settlement (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 Global Settlement and it was openly negotiated among those stakeholders who responded and chose to participate. This Global Settlement is supported by adequate data and information; as a package, the Global Settlement benefits customers and the public interest; provides direct benefits to residential and low income customers; and 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 Global Settlement 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 Global Settlement without modification in this proceeding.

## **II. Recitals**

WHEREAS, on July 2, 2012, in Case No. 10-2929-EL-UNC, the Commission issued its Opinion and Order approving a capacity pricing mechanism for AEP Ohio (*Capacity Case*). The Commission authorized AEP Ohio to modify its accounting procedures to defer capacity costs with the mechanism for recovery from customers to be established in a subsequent proceeding. *Capacity Case* at 33.

WHEREAS, on August 8, 2012, the Commission issued its Opinion and Order in Case No. 11-346-EL-SSO, *et al.*, which approved, with certain modifications, AEP Ohio's application for a standard service offer in the form of an ESP (*ESP II Case*). Among other provisions of the

ESP, the Commission modified and approved AEP Ohio's proposed retail stability rider (RSR), which, in part, was intended to enable the Company to begin to recover from customers the deferred amount of its capacity costs, consistent with the Commission's directives in the *Capacity Case*.

WHEREAS, on April 2, 2015, in Case No. 14-1186-EL-RDR, the Commission issued a Finding and Order approving and modifying an application filed by AEP Ohio to continue the RSR, until the capacity deferral and carrying costs are fully recovered from customers, with a collection period of approximately 32 months.

WHEREAS, the Commission's orders in the *Capacity Case* and *ESP II Case* were appealed to the Supreme Court of Ohio. On April 21, 2016, the Court affirmed in part and remanded the *Capacity Case* to the Commission to address alleged flaws in certain inputs to the calculation of the energy credit used to offset AEP Ohio's capacity costs with projected revenues from off-system sales. *In re Comm. Rev. of Capacity Charges of Ohio Power Co.*, Slip Opinion No. 2016-Ohio-1607, at ¶ 57. Upon review of the *ESP 2 Case*, the Court found, regarding the RSR, that AEP Ohio "is entitled to recover only its actual capacity costs" and, therefore, the *ESP 2 Case* was remanded to the Commission "to adjust the balance of [the Company's] deferred capacity costs to eliminate the overcompensation of capacity revenue recovered through the nondeferral part of the RSR during the ESP." *In re Application of Columbus S. Power Co.*, Slip Opinion No. 2016-Ohio-1608, at ¶ 40. The Court also determined that the Commission failed to explain its decision to establish a significantly excessive earnings test threshold of 12 percent to be applied during the term of the ESP for purposes of the annual earnings review required by R.C. 4928.143(F). *In re Application of Columbus S. Power Co.*, Slip Opinion No. 2016-Ohio-1608, at ¶ 66.

WHEREAS, in Case No. 08-917-EL-SSO, et al., the Commission modified and approved AEP Ohio's application for an ESP to be in effect through December 31, 2011, pursuant to R.C. 4928.143. *In re Columbus Southern Power Co. and Ohio Power Co.*, Case No. 08-917-EL-SSO, et al. (*ESP I Case*), Opinion and Order (Mar. 18, 2009), Entry on Rehearing (July 23, 2009), Second Entry on Rehearing (Nov. 4, 2009). In the *ESP I Case*, the Commission directed AEP Ohio, pursuant to R.C. 4928.144, to phase in a portion of the rate increase authorized over an established percentage for each year of the ESP, in order to mitigate the impact of the rate increase for customers. The Commission authorized AEP Ohio to establish a regulatory asset to record and defer fuel expenses with carrying costs, at the weighted average cost of capital (WACC), with recovery from customers through a non-bypassable surcharge to commence in 2012 and continue through 2018. *ESP I Case*, Opinion and Order (Mar. 18, 2009) at 20-24.

WHEREAS, on September 1, 2011, in Case No. 11-4920-EL-RDR, AEP Ohio filed an application for approval of a mechanism to recover its deferred fuel costs, as directed by the Commission in the *ESP I Case*. Specifically, AEP Ohio requested approval of the creation of a recovery mechanism, in the form of a non-bypassable phase-in recovery rider (PIRR), to ensure recovery of its accumulated deferred fuel costs from customers, including carrying costs, as approved by the Commission in the *ESP I Case*.

WHEREAS, on August 1, 2012, the Commission issued a Finding and Order that approved AEP Ohio's proposed PIRR, with certain modifications, and directed the Company to file tariffs consistent with the Finding and Order and subject to final review and approval by the Commission (*PIRR Order*). In the *PIRR Order*, the Commission authorized AEP Ohio to collect carrying charges from customers on the deferral balance based on the WACC rate of 11.15

percent until such time as the recovery period began, and, thereafter, at its long-term cost of debt rate of 5.34 percent. *PIRR Order* at 17-19.

WHEREAS, the *PIRR Order* was appealed to the Supreme Court of Ohio. On June 2, 2015, the Court issued its decision, reversing the PIRR Order with respect to the Commission's modification of the carrying charge rate. The Court determined that the PIRR Order violated R.C. 4928.143(C)(2)(a), because it modified the Commission's orders from the *ESP I Case* after the ESP had expired, which deprived AEP Ohio of its right to withdraw a modified ESP as provided in the statute. The Court remanded the proceedings to the Commission for reinstatement of the higher WACC rate. *In re Application of Ohio Power Co.*, 144 Ohio St.3d 1, 2015-Ohio-2056, 40 N.E.3d 1060.

WHEREAS, on January 23, 2012 in Case Nos. 09-872-EL-FAC and 09-873-EL-FAC, the Commission issued its opinion and order regarding the annual audit of AEP-Ohio's FAC mechanism for 2009 (*2009 FAC Case*). As modified in its Entry on Rehearing, the Commission specified that the portion of the \$30 million lump sum payment not already credited to the ratepayers of OP, as well as the jurisdictional portion of the \$41 million value of the West Virginia coal reserve booked when the settlement agreement was executed, should be credited against the FAC under-recovery. Additionally, because the present value of the West Virginia coal reserve was unknown and the permitting process is expected to enhance its value, the Commission indicated that a request for proposal would be issued by subsequent entry to hire an auditor to examine the value of the West Virginia coal reserve. The Commission noted that the auditor would be expected to make a recommendation as to whether the increased value of the West Virginia coal reserve, if any, above the \$41 million already required to be credited against AEP Ohio's FAC under-recovery should accrue to customers. The *2009 FAC Case* was

appealed to the Supreme Court of Appeal. On September 3, 2014, the Court issued its opinion affirming the *2009 FAC Case. In re Fuel Adjustment Clauses for Columbus S. Power Co. & Ohio Power Co.*, Slip Opinion No. 2014-Ohio-3764.

WHEREAS, by Entry issued in Case Nos. 11-5906-EL-FAC, 12-3133-EL-FAC, 13-572-EL-FAC, 13-1286-EL-FAC, and 13-1892-EL-FAC (*2012-2014 FAC Cases*) on December 4, 2013, the Commission selected Energy Ventures Analysis, Inc. (EVA) to perform the annual audit of AEP Ohio's fuel and alternative energy costs for the 2012, 2013, and 2014 audit periods. On May 9, 2014, EVA filed its report regarding the management/performance and financial audits of AEP Ohio's FAC and AER for 2012 and 2013.

WHEREAS, by Entry issued in the *2012-2014 FAC Cases* on May 21, 2014, the Commission selected Baker Tilly Virchow Krause, LLP (Baker Tilly) to investigate AEP Ohio's alleged double recovery of certain capacity-related costs from customers, and to recommend to the Commission a course of action based on the auditor's findings. On October 6, 2014, Baker Tilly filed its audit report addressing AEP Ohio's recovery of certain capacity-related costs.

WHEREAS, on June 1, 2015, in Case No. 15-1022-EL-UNC (*2014 SEET Case*), AEP Ohio filed its application for the administration of the significantly excessive earnings test for 2014 revenues, as required by R.C. 4928.143(F) and Ohio Adm. Code 4901:1- 35-10.

WHEREAS, on May 16, 2016, in Case No. 16-1105-EL-UNC (*2015 SEET Case*), AEP Ohio filed its application for the administration of the SEET for 2015 revenues.

WHEREAS, this Global Settlement is the result of serious discussion and compromise of complex issues and involves substantial benefits that would not otherwise have been achievable, and is not intended to reflect the views or proposals which any individual party may have advanced acting unilaterally;

NOW, THEREFORE, the Signatory Parties stipulate, agree, and recommend as follows.

### **III. Signatory Parties**

The Staff of the Public Utilities Commission of Ohio (“Staff”), the Ohio Energy Group (“OEG”), the Office of the Ohio Consumers’ Counsel (“OCC”), the Ohio Manufacturers’ Association Energy Group (“OMAEG”), Direct Energy Services, LLC and Direct Energy Business, LLC (“Direct Energy”), Interstate Gas Supply, Inc. (“IGS”),<sup>1</sup> Constellation NewEnergy, Inc. (Constellation), Appalachian Peace and Justice Network (“APJN”), The Kroger Co. (“Kroger”), and AEP Ohio are entering into the Global Settlement as Signatory Parties. The Industrial Energy Users-Ohio (who is participating on a limited basis as a party only in the above-captioned 2011 and subsequent FAC cases), Ohio Hospital Association, and EnerNOC, Inc., are signing the Global Settlement as non-opposing parties.

### **IV. Joint Recommendations of Signatory Parties**

As a result of discovery, the evidentiary hearings, Supreme Court proceedings, and party discussions, the Signatory Parties are in agreement on a Global Settlement for Commission consideration. The Signatory Parties agree that, for purposes of settlement, the Commission should approve this Global Settlement without modification as set forth herein. Customer rate impacts associated with the Global Settlement are attached as Exhibit A.

#### **A. Remands Related to the Retail Stability Rider (“RSR”)**

1. The provisions of this Paragraph IV.A, as a unified package with all other terms of this Global Settlement, resolve all the issues related to the RSR that have been raised in the remand proceedings addressing the partial reversal of the *ESP II* proceeding (Case No. 11-346-EL-SSO, *et al.*),

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<sup>1</sup> IGS is not taking a position on the retail rate matters being addressed in the Global Settlement but is a Signatory Party supporting adoption of the Global Settlement.



*Capacity Charge Case* (Case No. 10-2929-EL-UNC), and the *RSR Implementation Case* (Case No. 14-1186-EL-RDR). Therefore, without any precedential effect, including as to the method used to calculate the revenue requirement identified below, the Signatory Parties agree to the terms set forth in Paragraph IV.A.2.

2. The Signatory Parties agree as follows:
  - a. The RSR will be collected over twenty-four months from residential and GS-1 customers and thirty months from all other customer classes including GS-2, GS-3 and GS-4 customers (“RSR Collection Period”). The additional six-month collection period pertaining to the GS-2, GS-3, and GS-4 customers will not result in an increase in the RSR revenue requirement identified in paragraph IV.A.2.b.
  - b. The RSR revenue requirement for the RSR Collection Period beginning January 2017 will be \$388 million.
  - c. The RSR will be subject to a final true up at the end of the RSR Collection Period.
  - d. Starting with the January 2017 billing period and going forward, the residential customers’ share of the RSR charges will be \$43.7 million for the RSR Collection Period. The remainder will be charged to non-residential customers. Specifically, the non-residential RSR energy charge rate design will be converted into a block energy rate structure (block one of up to 833,000

kWh/month is \$0.0072504 per kWh and block two is \$0.0008 per kWh).

- e. If the Global Settlement is not approved and implemented until after January 2017, the current retail stability rider rates will continue and the revenues collected will be credited toward the \$388 million revenue requirement.
- f. Within 45 days of a final Commission order adopting the Global Settlement without modification, AEP Ohio agrees to offset through a one-time bill credit any projected RSR charges during the RSR Collection Period to those OMAEG and OEG members that would otherwise be projected to pay a net increase during the RSR Collection Period for the combination of: (i) the RSR (as modified by the Global Settlement), (ii) the SEET refund under Paragraph IV.C.2.b, and (iii) the PIRR credit under Paragraph IV.B.2.b. AEP Ohio and OMAEG/OEG have agreed on the bill credits. The one-time bill credit will be absorbed by the Company as an economic development commitment to those Signatory Parties and in recognition of the litigation costs incurred by those Signatory Parties to help provide the system-wide benefits of this Global Settlement.

**B. Phase-In Recovery Rider (“PIRR”) Remand**

- 1. This Paragraph IV.B, as a unified package with all other terms of this Global Settlement, resolves the Supreme Court’s reversal of the

Commission on carrying charges in the *PIRR Order* proceeding (Case Nos. 11-4920-EL-RDR, 11-4921-EL-RDR).

2. The Signatory Parties agree as follows:

- a. OMAEG, OEG, and OCC agree that their applications for rehearing of the Commission's June 29, 2016 Entry in Case Nos. 11-4920-EL-RDR, 11-4921-EL-RDR regarding reinstatement of carrying charges, will become moot and should be considered to be withdrawn upon a final-nonappealable order adopting this Global Settlement without material modification, and all Signatory Parties agree to forego appealing that ruling.
- b. Upon adoption of this Global Settlement, the revenue requirement to be collected from customers over the remaining collection period of the PIRR will be reduced by \$97.4 million.
- c. This reduction will be implemented through a \$2/MWh reduction of the PIRR rate for the customers in the Ohio Power rate zone.

**C. Remand Related to the Significantly Excessive Earnings Test ("SEET")**

1. This Paragraph IV.C, as a unified package with all other terms of this Global Settlement, resolves the following pending proceedings:

- a. The Supreme Court's reversal of the Commission on the SEET threshold in the *ESP II Remand*. (Case Nos. 11-346-EL-SSO et seq.)
- b. The Company's 2015 *SEET* proceeding (Case No. 16-1105-EL-UNC).

- c. The Company's 2014 SEET proceeding (Case No. 15-1022-EL-UNC).
2. Signatory Parties agree as follows:
  - a. The Company's earnings in 2015 were not significantly excessive.
  - b. For purposes of settlement and without any precedential effect, including as to the method used to calculate significantly excessive earnings, \$20.3 million will be returned to customers, on a kWh basis over a twelve-month period within 45 days of a final Commission order adopting the Global Settlement, to resolve the Company's 2014 SEET proceeding (Case No. 15-1022-EL-UNC). The refund under this paragraph will be includable as an expense in 2017 for purposes of applying the SEET.

**D. Fuel Adjustment Clause ("FAC") Proceedings**

1. This Paragraph IV.D, as a unified package with all other terms of this Global Settlement, resolves all outstanding issues in the following FAC proceedings: Case Nos. 09-872-EL-FAC, 09-873-EL-FAC, 11-5906-EL-FAC, 12-3133-EL-FAC, 13-572-EL-FAC, 13-1286-EL-FAC and 13-1892-EL-FAC.
2. The Signatory Parties agree as follows:
  - a. The Company will provide a refund of \$100 million ("FAC Refund") as a remedy for the cases enumerated in Section D.1 and to return a portion of amounts that were paid by standard service

offer customers from August 2012 through May 2015 for OVEC/Lawrenceburg purchases (“SSO Refund Customers”).

- b. The FAC Refund is to be returned as a one-time credit to those SSO Refund Customers (who remain distribution customers of the Company) in proportion to the amount of the individual customer payments, with credits applied to those customers by the earlier of either: (i) 45 days of a final-non-appealable order adopting the Global Settlement without modification, or (ii) the December 2017 billing cycle.
- c. That portion of the FAC Refund which would otherwise have been distributed to former reasonable arrangement customers under R.C. 4905.31 that are no longer operating shall be allocated to the SSO Refund Customers.
- d. All other undistributed funds remaining because customers are no longer distribution customers of the Company will be used for a public purpose as determined by the Commission.
- e. The Company’s reasonable administrative costs in implementing the FAC Refund, to be confirmed by Staff, will be deducted from the \$100 million refund. The Company does not expect the administrative costs to exceed \$100,000.
- f. The FAC Refund will be includable as an expense in 2017 for purposes of applying the SEET.

**E. gridSMART Phase II Proceeding**

1. This Paragraph IV.E, as a unified package with all other terms of this Global Settlement, resolves OCC's opposition to the Stipulation filed in the Company's gridSMART Phase II proceeding (Case No. 13-1939-EL-RDR). "gridSMART Phase II" refers to the Company's proposed expansion of the gridSMART project, commenced with the September 9, 2013 Application in Case No. 13-1939-EL-RDR. OCC agrees not to contest the Stipulation, provided that the annual audit for prudence and a review of the operational cost savings credit (as set forth in the gridSMART Phase II Stipulation, paragraph 6) are retained by the Commission in adopting the gridSMART Phase II Stipulation.
2. The Signatory Parties agree as follows:
  - a. Upon adoption of both this Global Settlement and the Stipulation in Case No. 13-1939-EL-RDR, residential customers will be allocated 45% of the gridSMART Phase II costs (which is less than the allocation of 62.4% proposed in the gridSMART Phase II Stipulation) on a going forward basis and for the remainder of gridSMART Phase II recovery.
  - b. The remaining 55% of the gridSMART Phase II costs will be allocated to other rate schedules in proportion to the existing allocation.
  - c. Within 7 days of execution of this Global Settlement, OCC and AEP Ohio will make a joint filing in Case No. 13-1939-EL-RDR

to reflect that OCC is not contesting the existing Stipulation in that docket contingent on adoption of this cost allocation agreement. OCC's agreement not to contest the gridSMART Phase II Stipulation is based on the integrated package of terms and conditions in this Global Settlement and cannot be used by any party against OCC as precedent. OCC also agrees not to contest the final segment of AMI deployment by the Company provided the same cost allocation as described in Paragraph IV. E.2.a is utilized. The final segment of AMI deployment is currently estimated to be 302,000 AMI meters identified in the Company's September 9, 2013 application in Case No 13-1939-EL-RDR. OCC's agreement not to contest the final segment of AMI deployment shall be governed by the same terms and conditions that apply to gridSMART Phase II costs, set forth in the Stipulation filed in the Company's gridSMART Phase II proceeding, including an annual audit for prudence and a review of the operational cost savings credit.

**F. Economic Development Commitment for Kroger**

1. The Company commitment set forth in this Paragraph IV.F is part of a unified package with all other terms of this Global Settlement.
2. The Company makes the following commitment: Within 45 days of a final Commission order adopting the Global Settlement without modification, AEP Ohio agrees, for administrative and billing efficiency

(given that Kroger has over 100 accounts involving different locations), to fund a one-time aggregated rate mitigation credit to Kroger in an amount equal to the projected impact of the RSR rate change for all of Kroger's accounts during the RSR Collection Period. AEP Ohio and Kroger have agreed on the amount of the rate mitigation credit. The rate mitigation credit will be absorbed by the Company as an economic development commitment and in recognition of the litigation costs incurred by Kroger to help provide the system-wide benefits of this Global Settlement. In addition, AEP Ohio will allow Kroger's two plants in AEP Ohio's service territory to participate in the Continuous Energy Improvement ("CEI") program. Kroger agrees to participate in case studies for the plants' CEI experience.

**G. BTCR Pilot Program**

1. The Company commitment set forth in this Paragraph IV.G is part of a unified package with all other terms of this Global Settlement.
2. The Company makes the following commitment: Within 15 days of a final Commission order adopting this Global Settlement without modification, the Company will submit for Commission approval on an expedited basis a compliance tariff to establish an interim pilot program for up to nineteen customers filed by Signatory Parties or non-opposing parties (or members of Signatory Parties or members of non-opposing parties). This Global Settlement does not limit Signatory Parties from opposing the BTCR in the future. The compliance tariff would accelerate,



on an interim basis, the start date of the Company's BTCR pilot proposed in its *ESP III Extension* proceeding (Case Nos. 16-1852-EL-SSO et seq.) with full cost recovery for the Company. The Company will work with the Signatory Parties to finalize the terms and conditions of this interim pilot tariff program prior to the Commission's adoption of the Global Settlement, which terms and conditions are not to be used as precedent in any other proceeding, including the *ESP III Extension* proceeding. The nineteen customer accounts will be allocated among the Signatory Parties as follows: 5 for OMAEG members, 3 for Direct Energy public school customers, 4 for IEU members, 5 for OEG members and 2 for an IGS customer. The pilot program will reflect the following terms (and the Company reserves the right to oppose changes to the pilot program insofar as they deviate from these terms):

- a. The pilot program will be effective on the date the above-described compliance tariff is approved by the Commission and will expire when the Commission issues an order in the Company's *ESP III Extension* proceeding either approving or denying the expanded BTCR pilot set forth therein. If the Commission's order approves the expanded BTCR pilot, the participating interim pilot program customers will be migrated to the expanded program in an orderly fashion; if the Commission's order denies the expanded BTCR

pilot, the interim program will be terminated effective within three billing cycles.

b. For purposes of this pilot program only, and not to be used as precedent in any other proceeding, including the *ESP III Extension* proceeding, the Company will charge the customer for transmission charges according to the following terms:

i. The demand rate will charge the customer based on the customer's demand during the single zonal transmission peak as defined by the PJM Open Access Transmission Tariff (*i.e.*, the customer's individual NSPL tag), and the rate shall be calculated in two steps. First, the demand-allocated portion of the revenue requirement from Schedule C-3 of the Company's most recently-approved BTCR annual update shall be divided by twelve times the Company's total load at the time of AEP zonal peak (NSPL), from Workpaper Schedule C-3 of the Company's most recently-approved BTCR annual update. Second, that rate shall be adjusted for losses to the appropriate voltages for billing consistent with the Company's most recently-approved BTCR annual update. (For example,

using the Company's BTCR annual update approved in Case No. 15-1105-EL-RDR, the current demand rate charged per kW of 1CP demand would be \$4.82 for subtransmission and transmission voltage customers.)

- ii. The energy rate shall be equal to the BTCR energy rate that would otherwise apply to the customer absent the pilot program.

#### **H. Pilot Supplier Consolidated Billing Program**

1. AEP Ohio agrees to work with Staff and Constellation to determine the parameters of a 2-year *Pilot Supplier Consolidated Billing Program* for Constellation as a participating CRES provider. The purpose of the pilot will be to provide the industry with data and information on the practicality of a supplier consolidated billing implementation in the Ohio Electric Choice Market, and will mirror the 2-year Pilot Supplier Consolidated Billing Program approved by the Commission in Case No. 14-1693-EL-RDR, et al.<sup>2</sup> As part of the pilot program:
  - a. Constellation will agree to assume all EDU bill requirement administrative code rules and work with Staff and the EDU on consumer safeguards, including Ohio Administrative Code Chapter 4901:1-21 (without waiver unless recommended by Staff).
  - b. Constellation agrees to provide the Staff and the EDU with any and all information related to the pilot;

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<sup>2</sup> Additionally, so long as there is no material modification of the December 14, 2015 Stipulation and Recommendation as approved in Case Nos. 14-1693-EL-RDR and 14-1694-EL-AAM and as amended by the Commission's November 3, 2016 Second Entry on Rehearing, Constellation agrees to not file any further rehearing or appeal of the Commission's approval of that stipulation in Case Nos. 14-1693-EL-RDR and 14-1694-EL-AAM.

- c. The Staff, AEP Ohio and Constellation will meet to determine a methodology to govern the implementation including but not limited to the method of transfer and payment to the EDU of customer charges; as well as credit and collection procedures and purchase of receivables without recourse;
- d. The methodology to govern this pilot shall be established no later than six months from an Order from the Commission approving the Global Settlement or a final Order by the Commission approving the stipulation in Case No. 14-1693-EL-RDR, et al., whichever is later;
- e. Due to the nature of a pilot program, the supplier consolidated billing pilot will be limited to 5,000 customers of Constellation for the first 6 months of active implementation.
  - i. Based upon bi-annual review and approval by Staff, AEP Ohio and Constellation, the customer participation cap shall be incrementally increased by 5,000 customers each six months not to exceed 20,000 customers of Constellation over the two year term of the pilot program.
  - ii. Existing customers may remain on the Supplier Consolidated Billing Program upon completion of the 2 year term of the pilot until otherwise ordered by the Commission.
  - iii. Constellation retains the right to petition the Commission to expand the pilot cap or terms pending Commission consideration of future consolidated billing orders.
- f. Because costs related to AEP Ohio's implementation of the Pilot Supplier Consolidated Billing Program under this Global Settlement and the mirror pilot

approved in Case No. 14-1693-EL-RDR, et al. will overlap, Constellation will pay 1/3 of 50% of the costs related to AEP Ohio's implementation of both pilots. AEP Ohio's share of the implementation costs for the Pilot Supplier Consolidated Billing Program under this Global Settlement will also be eligible for recovery in a future rate proceeding. The Commission Staff will study the costs needed to implement the pilot and include an analysis of the type of costs needed to expand the program and how that should be allocated among the provider.

- g. Constellation shall have the ability to bill under the Pilot Supplier Consolidated Billing Program no later than 1 year from an Order from the Commission approving the Global Settlement or a final Order by the Commission approving the stipulation in Case No. 14-1693-EL-RDR, et al, whichever is later.
- h. Constellation shall not prohibit a customer from returning to the EDU consolidated billing.
- i. Constellation shall not charge a late payment fee greater than the EDU's tariffed late payment fee.
- j. By the conclusion of the two year pilot program Staff shall file a report on the program which shall include recommendations on the program, which may include expansion or retirement.
- k. Constellation's competitively sensitive information acquired by AEP and Staff under the Pilot Supplier Consolidated Billing Program shall be afforded the appropriate confidential treatment.

## **I. The Three-Part Test for Commission Approval.**

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

1. the Global Settlement is a product of serious bargaining among capable, knowledgeable parties<sup>3</sup>;
2. the Global Settlement, as a whole, benefits customers and the public interest; and
3. the Global Settlement does not violate any important regulatory principle or practice.

## **V. Procedural Matters**

**A.** Recognizing the value of a timely ruling by the Commission to achieve the benefits described in the Modified ESP, the Signatory Parties urge the Commission to render a decision adopting the Global Settlement no later than February 28, 2017, in order to capture some of the financial benefits to customers and the Company relating to the Global Settlement.

**B.** The Company will file testimony in support of the Global Settlement pursuant to the procedural schedule established by the Commission or by January 6, 2017, whichever is earlier, after consulting the Signatory Parties and non-opposing parties.

**C.** Except for enforcement purposes or to establish that the terms of the Global Settlement are lawful, neither this Global Settlement nor the information and data contained herein or attached hereto shall be cited as a precedent in any future proceeding or before the General Assembly for or against any Signatory Party or non-opposing party, if the Commission

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<sup>3</sup> OCC believes the three-part test should include “with the parties reflecting a diversity of interests” at the end of the first component of the test.

approves the Global Settlement. Nor shall the acceptance of any provision within this Global Settlement be cited by any party in any forum, including the General Assembly, so as to imply or state that any Signatory Party agrees with any specific provision of the Global Settlement. The Signatory Parties request that the Commission not cite this Global Settlement as precedent in any future case. More specifically, no specific element or item contained in or supporting this Global Settlement shall be construed or applied to attribute the results set forth in this Global Settlement as the results that any Signatory Party might support or seek, but for this Global Settlement in these proceedings or in any other proceeding. This Global Settlement 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 Global Settlement 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 Global Settlement, taken as a whole, represents a reasonable compromise of varying interests.

**D.** The Signatory Parties will support the Global Settlement if the Global Settlement is contested, and no Signatory Party will oppose an application for rehearing designed to defend the terms of this Global Settlement. If the Stipulation is adopted by the Commission, the Signatory Parties will support the Stipulation in any appeal of the decision.

**E.** This Global Settlement is conditioned upon adoption of the Global Settlement by the Commission in its entirety and without material modification. “Material modification” for purposes of an individual Signatory Party’s right to terminate the Global Settlement means the modification or modifications reduce for a Signatory Party the quantitative value to the Signatory

Party of the Global Settlement by \$10 million or more as a result of the Commission's modifications.

If the Commission's modification or modifications reduce for a Signatory Party<sup>4</sup> the quantitative value to that Signatory Party of the Global Settlement by less than \$10 million, that Signatory Party may withdraw its Signatory Party status and contest the Global Settlement, but may not terminate the Global Settlement. If the Commission rejects or materially modifies all or any part of this Global Settlement, any Signatory Party shall have the right within thirty days of issuance of the Commission's order to apply for rehearing. 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 Global Settlement. If the Commission does not adopt the Global Settlement without material modification, within forty-five days of any application for rehearing any Signatory Party may file a notice to withdraw its Signatory Party status or terminate the Global Settlement, as applicable, by filing a notice with the Commission indicating such intention. At least 10 days before filing any notice to withdraw its Signatory Party status or terminate the Global Settlement, as applicable under this paragraph, the aggrieved Signatory Party must give notice to the other Signatory Parties of its intention; the Signatory Parties will then be obligated to work in good faith to develop a solution that would sufficiently address the aggrieved Signatory Party's concerns, including but not limited to development of a supplemental stipulation or joint request to be filed with the Commission. If such a solution is developed and filed before the original deadline for filing a withdrawal, the aggrieved Signatory Party will have until 30 days after the stipulation or joint request is ruled upon by the Commission to terminate (which may only be exercised if the Commission either rejects the

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<sup>4</sup> For the language following this reference and throughout the remainder of Paragraph V.E., the term "Signatory Party" includes Non-opposing Parties.

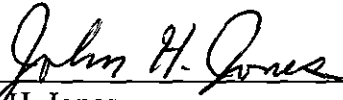


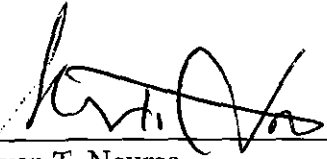
solution or does not provide a timely ruling). If such a notice to withdraw its Signatory Party status or terminate the Global Stipulation is filed, the procedural status of each proceeding involved in the Global Settlement will return to the status that existed prior to the Global Settlement being filed and all parties will retain all rights that previously existed.

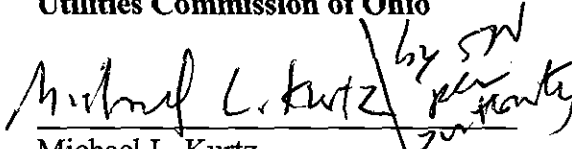
F. Unless the Signatory Party exercises its right to terminate its Signatory Party status or withdraw as described above, each Signatory Party agrees to and will support the reasonableness of this Global Settlement before the Commission, and to cause its counsel to do the same, and in any appeal it participates in from the Commission's adoption and/or enforcement of this Global Settlement. The Signatory Parties also agree to urge the Commission to accept and approve the terms hereof as promptly as possible.

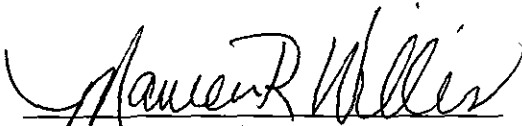
IN WITNESS WHEREOF, this Stipulation and Recommendation has been signed by the authorized agents of the undersigned Signatory Parties as of this 21<sup>st</sup> day of December 2016.

**SIGNATORY PARTIES:**

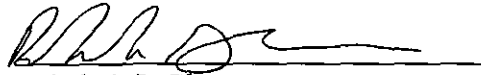
  
John H. Jones  
On Behalf of the Staff of the Public  
Utilities Commission of Ohio

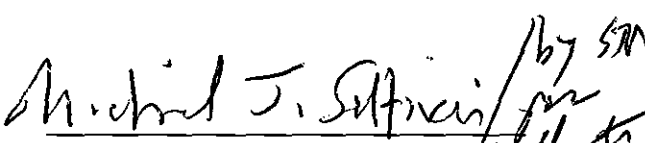
  
Steven T. Nourse  
On Behalf of Ohio Power Company

 by SDW  
per authority  
Michael L. Kurtz  
On Behalf of the Ohio Energy Group

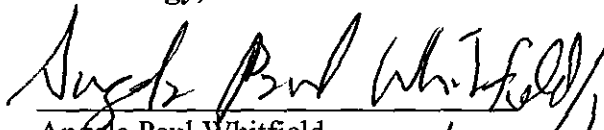
  
Maureen R. Willis  
On Behalf of the Office of the Ohio  
Consumers' Counsel

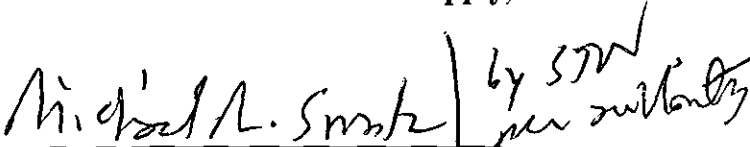
 by SDW  
per authority  
Kimberly J. Bojko  
On Behalf of Ohio Manufacturers'  
Association Energy Group

  
Rebekah J. Glover  
On Behalf of Direct Energy Services, LLC  
and Direct Energy Business, LLC

 by SDW  
per authority  
Michael J. Settineri  
On Behalf of Constellation  
NewEnergy, Inc.

 by SDW  
per authority  
Joseph Olikar  
On Behalf of Interstate Gas Supply, Inc.

  
Angela Paul Whitfield  
On Behalf of The Kroger Co.

 by SDW  
per authority  
Michael R. Smalz  
Appalachian Peace and Justice Network

**NON-OPPOSING PARTIES:**

Frank Darr | *by SSN per authority*  
Frank Darr  
On Behalf of Industrial Energy  
Users - Ohio

Joel Sechler | *by SSN per authority*  
Joel Sechler  
On Behalf of EnerNOC, Inc.

Devin Parram | *by SSN per authority*  
Devin Parram  
On Behalf of Ohio Hospital  
Association

**Ohio Power Company**  
**Typical Bill Comparison**  
**Ohio Power Rate Zone**

<u>Tariff</u>	<u>kWh</u>	<u>KW</u>	<u>Current</u>	<u>Proposed</u>	<u>Difference</u>	<u>Difference</u>
Residential	100		\$25.90	\$25.27	-\$0.63	-2.4%
	250		\$45.23	\$43.67	-\$1.56	-3.5%
	500		\$77.48	\$74.36	-\$3.12	-4.0%
	750		\$109.69	\$105.01	-\$4.68	-4.3%
	1,000		\$141.93	\$135.68	-\$6.25	-4.4%
	1,500		\$206.41	\$197.06	-\$9.35	-4.5%
	2,000		\$270.89	\$258.41	-\$12.48	-4.6%
GS-1	375	3	\$59.64	\$59.54	-\$0.10	-0.2%
Secondary	1,000	3	\$119.95	\$119.70	-\$0.25	-0.2%
	750	6	\$95.82	\$95.63	-\$0.19	-0.2%
	2,000	6	\$216.45	\$215.95	-\$0.50	-0.2%
GS-2	1,500	12	\$275.47	\$277.57	\$2.10	0.8%
	4,000	12	\$483.39	\$488.96	\$5.57	1.2%
	6,000	30	\$818.50	\$826.86	\$8.36	1.0%
	10,000	30	\$1,150.80	\$1,164.74	\$13.94	1.2%
	10,000	40	\$1,244.68	\$1,258.62	\$13.94	1.1%
	14,000	40	\$1,576.96	\$1,596.48	\$19.52	1.2%
	12,500	50	\$1,546.24	\$1,563.67	\$17.43	1.1%
	18,000	50	\$2,001.45	\$2,026.55	\$25.10	1.3%
	15,000	75	\$1,988.62	\$2,009.53	\$20.91	1.1%
	30,000	100	\$3,461.00	\$3,502.83	\$41.83	1.2%
	36,000	100	\$3,956.08	\$4,006.28	\$50.20	1.3%
	30,000	150	\$3,930.38	\$3,972.21	\$41.83	1.1%
	60,000	300	\$7,813.89	\$7,897.56	\$83.67	1.1%
	90,000	300	\$10,289.31	\$10,414.80	\$125.49	1.2%
	100,000	500	\$12,991.96	\$13,131.40	\$139.44	1.1%
150,000	500	\$17,117.65	\$17,326.80	\$209.15	1.2%	
180,000	500	\$19,593.04	\$19,844.03	\$250.99	1.3%	

**Ohio Power Company**  
**Typical Bill Comparison**  
**Ohio Power Rate Zone**

<u>Tariff</u>	<u>kWh</u>	<u>KW</u>	<u>Current</u>	<u>Proposed</u>	<u>Difference</u>	<u>Difference</u>
GS-3	18,000	50	\$2,001.45	\$2,026.55	\$25.10	1.3%
Secondary	30,000	75	\$3,226.32	\$3,268.15	\$41.83	1.3%
	50,000	75	\$4,876.59	\$4,946.30	\$69.71	1.4%
	36,000	100	\$3,956.08	\$4,006.28	\$50.20	1.3%
	30,000	150	\$3,930.38	\$3,972.21	\$41.83	1.1%
	60,000	150	\$6,405.77	\$6,489.44	\$83.67	1.3%
	100,000	150	\$9,706.32	\$9,845.76	\$139.44	1.4%
	120,000	300	\$12,764.71	\$12,932.04	\$167.33	1.3%
	150,000	300	\$15,240.13	\$15,449.28	\$209.15	1.4%
	200,000	300	\$19,365.79	\$19,644.67	\$278.88	1.4%
	180,000	500	\$19,593.04	\$19,844.03	\$250.99	1.3%
	200,000	500	\$21,243.31	\$21,522.19	\$278.88	1.3%
	325,000	500	\$31,557.51	\$32,010.69	\$453.18	1.4%
GS-2	200,000	1,000	\$24,844.57	\$25,123.45	\$278.88	1.1%
Primary	300,000	1,000	\$32,723.76	\$33,142.08	\$418.32	1.3%
GS-3	360,000	1,000	\$37,451.27	\$37,953.26	\$501.99	1.3%
Primary	400,000	1,000	\$40,602.95	\$41,160.71	\$557.76	1.4%
	650,000	1,000	\$60,300.93	\$61,207.28	\$906.35	1.5%
GS-2						
Subtransmission	1,500,000	5,000	\$126,760.82	\$124,550.28	-\$2,210.54	-1.7%
GS-3	2,500,000	5,000	\$196,038.72	\$188,772.58	-\$7,266.14	-3.7%
Subtransmission	3,250,000	5,000	\$247,997.15	\$236,939.30	-\$11,057.85	-4.5%
GS-4	3,000,000	10,000	\$240,420.57	\$230,626.63	-\$9,793.94	-4.1%
Subtransmission	5,000,000	10,000	\$374,204.97	\$354,299.83	-\$19,905.14	-5.3%
	6,500,000	10,000	\$474,543.27	\$447,054.73	-\$27,488.54	-5.8%
	10,000,000	20,000	\$742,465.97	\$697,282.83	-\$45,183.14	-6.1%
	13,000,000	20,000	\$943,142.57	\$882,792.63	-\$60,349.94	-6.4%
GS-4	25,000,000	50,000	\$1,847,248.97	\$1,726,231.83	-\$121,017.14	-6.6%
Transmission	32,500,000	50,000	\$2,348,940.47	\$2,190,006.33	-\$158,934.14	-6.8%

\* Typical bills assume 100% Power Factor

Ohio Power Company  
Typical Bill Comparison  
Columbus Southern Power Rate Zone

<u>Tariff</u>	<u>kWh</u>	<u>KW</u>	<u>Current</u>	<u>Proposed</u>	<u>\$</u> <u>Difference</u>	<u>Difference</u>
<u>Residential</u>						
RR1 Annual	100		\$25.09	\$24.67	-\$0.42	-1.7%
	250		\$43.22	\$42.16	-\$1.06	-2.5%
	500		\$73.47	\$71.35	-\$2.12	-2.9%
RR Annual	750		\$103.68	\$100.50	-\$3.18	-3.1%
	1,000		\$133.93	\$129.68	-\$4.25	-3.2%
	1,500		\$194.39	\$188.03	-\$6.36	-3.3%
	2,000		\$254.87	\$246.39	-\$8.48	-3.3%
<u>GS-1</u>						
	375	3	53.64	54.30	\$0.66	1.2%
	1,000	3	120.26	122.01	\$1.75	1.5%
	750	6	93.62	94.93	\$1.31	1.4%
	2,000	6	226.88	230.38	\$3.50	1.5%
<u>GS-2</u>						
<u>Secondary</u>						
	1,500	12	\$241.14	\$246.23	\$5.09	2.1%
	4,000	12	\$429.02	\$442.60	\$13.58	3.2%
	6,000	30	\$744.76	\$765.13	\$20.37	2.7%
	10,000	30	\$1,045.01	\$1,078.95	\$33.94	3.3%
	10,000	40	\$1,137.02	\$1,170.96	\$33.94	3.0%
	14,000	40	\$1,437.25	\$1,484.77	\$47.52	3.3%
	12,500	50	\$1,416.69	\$1,459.12	\$42.43	3.0%
	18,000	50	\$1,827.82	\$1,888.93	\$61.11	3.3%
	15,000	75	\$1,834.41	\$1,885.32	\$50.91	2.8%
	30,000	150	\$3,642.01	\$3,743.85	\$101.84	2.8%
	60,000	300	\$7,257.26	\$7,460.92	\$203.66	2.8%
	100,000	500	\$12,077.63	\$12,417.07	\$339.44	2.8%
<u>GS-2</u>						
<u>Primary</u>						
	100,000	1,000	\$15,376.09	\$15,715.53	\$339.44	2.2%
<u>GS-3</u>						
<u>Secondary</u>						
	30,000	75	\$2,951.87	\$3,053.71	\$101.84	3.5%
	50,000	75	\$4,441.86	\$4,611.58	\$169.72	3.8%
	30,000	100	\$3,181.92	\$3,283.76	\$101.84	3.2%
	36,000	100	\$3,628.91	\$3,751.11	\$122.20	3.4%

Ohio Power Company  
Typical Bill Comparison  
Columbus Southern Power Rate Zone

<u>Tariff</u>	<u>kWh</u>	<u>KW</u>	<u>Current</u>	<u>Proposed</u>	<u>Difference</u>	<u>Difference</u>
					\$	
	60,000	150	\$5,876.97	\$6,080.63	\$203.66	3.5%
	100,000	150	\$8,856.92	\$9,196.36	\$339.44	3.8%
	90,000	300	\$9,492.23	\$9,797.73	\$305.50	3.2%
	120,000	300	\$11,727.19	\$12,134.52	\$407.33	3.5%
	150,000	300	\$13,962.17	\$14,471.33	\$509.16	3.7%
	200,000	300	\$17,687.10	\$18,365.98	\$678.88	3.8%
	150,000	500	\$15,802.58	\$16,311.74	\$509.16	3.2%
	180,000	500	\$18,037.53	\$18,648.52	\$610.99	3.4%
	200,000	500	\$19,527.51	\$20,206.39	\$678.88	3.5%
	325,000	500	\$28,839.87	\$29,943.05	\$1,103.18	3.8%
GS-3 Primary						
	300,000	1,000	\$29,583.93	\$30,602.25	\$1,018.32	3.4%
	360,000	1,000	\$33,846.29	\$35,068.27	\$1,221.98	3.6%
	400,000	1,000	\$36,687.85	\$38,045.61	\$1,357.76	3.7%
	650,000	1,000	\$54,447.66	\$56,654.02	\$2,206.36	4.1%
GS-4						
	1,500,000	5,000	\$112,890.55	\$113,680.01	\$789.46	0.7%
	2,500,000	5,000	\$172,653.65	\$170,387.51	-\$2,266.14	-1.3%
	3,250,000	5,000	\$217,475.98	\$212,918.13	-\$4,557.85	-2.1%
	3,000,000	10,000	\$219,435.20	\$215,641.26	-\$3,793.94	-1.7%
	5,000,000	10,000	\$338,961.40	\$329,056.26	-\$9,905.14	-2.9%
	6,500,000	10,000	\$428,606.05	\$414,117.51	-\$14,488.54	-3.4%
	6,000,000	20,000	\$432,524.50	\$419,563.76	-\$12,960.74	-3.0%
	10,000,000	20,000	\$671,576.90	\$646,393.76	-\$25,183.14	-3.8%
	13,000,000	20,000	\$850,866.20	\$816,516.26	-\$34,349.94	-4.0%
	15,000,000	50,000	\$1,071,792.40	\$1,031,331.26	-\$40,461.14	-3.8%
	25,000,000	50,000	\$1,669,423.40	\$1,598,406.26	-\$71,017.14	-4.3%
	32,500,000	50,000	\$2,117,646.65	\$2,023,712.51	-\$93,934.14	-4.4%

\* Typical bills assume 100% Power Factor