

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

THIRD ENTRY ON REHEARING

Entered in the Journal on January 4, 2017

I. SUMMARY

{¶ 1} The Commission grants the applications for rehearing of the November 3, 2016 Second Entry on Rehearing for the purpose of further consideration of the matters specified in the applications for rehearing.

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.

{¶ 11} R.C. 4903.10 states that any party who has entered an appearance in a Commission proceeding may apply for a rehearing with respect to any matters determined therein by filing an application within 30 days after the entry of the order upon the Commission's journal.

{¶ 12} On May 25, 2016, the Commission issued an Entry on Rehearing, granting rehearing for further consideration of the matters specified in the applications for rehearing filed with respect to the March 31, 2016 Opinion and Order.

{¶ 13} 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.

{¶ 14} On December 5, 2016, applications for rehearing of the November 3, 2016 Second Entry on Rehearing were filed by the Ohio Consumers' Counsel (OCC); Ohio Manufacturers' Association Energy Group (OMAEG); Environmental Law & Policy Center (ELPC); PJM Power Providers Group (P3) and Electric Power Supply Association (EPSA) (jointly, P3/EPSA); and Buckeye Power, Inc. (Buckeye). AEP Ohio, Buckeye, Sierra Club, and Industrial Energy Users-Ohio filed memoranda contra the various applications for rehearing on December 15, 2016.

{¶ 15} The Commission believes that sufficient reason has been set forth by OCC, OMAEG, ELPC, P3/EPSA, and Buckeye to warrant further consideration of the matters specified in the applications for rehearing. Accordingly, the applications for rehearing filed by OCC, OMAEG, ELPC, P3/EPSA, and Buckeye should be granted.

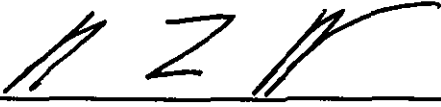
III. ORDER

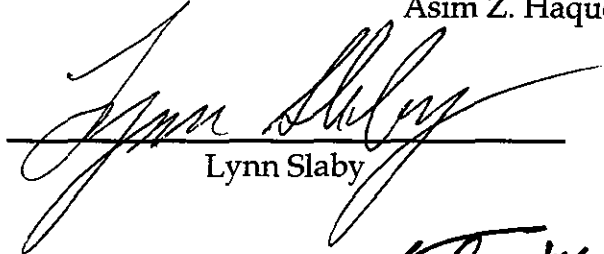
{¶ 16} It is, therefore,

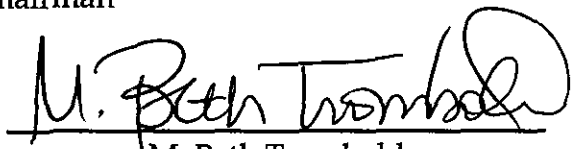
{¶ 17} ORDERED, That the applications for rehearing filed by OCC, OMAEG, ELPC, P3/EPSA, and Buckeye be granted for further consideration of the matters specified in the applications for rehearing. It is, further,

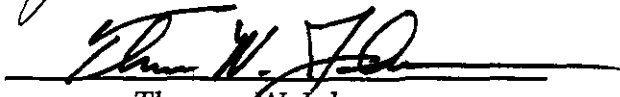
{¶ 18} ORDERED, That a copy of this Third Entry on Rehearing be served upon all parties of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO


Asim Z. Haque, Chairman


Lynn Slaby

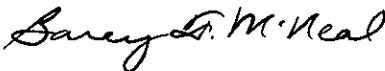

M. Beth Trombold


Thomas W. Johnson

SJP/sc

Entered in the Journal

JAN 04 2017



Barcy F. McNeal
Secretary