

THE PUBLIC UTILITIES COMMISSION OF OHIO

**IN THE MATTER OF THE 2013 REVIEW OF
THE DISTRIBUTION INVESTMENT RIDER
CONTAINED IN THE TARIFF OF OHIO
POWER COMPANY.**

CASE No. 14-255-EL-RDR

**IN THE MATTER OF THE 2014 REVIEW OF
THE DISTRIBUTION INVESTMENT RIDER
CONTAINED IN THE TARIFF OF OHIO
POWER COMPANY.**

CASE No. 15-66-EL-RDR

**IN THE MATTER OF THE 2015 REVIEW OF
THE DISTRIBUTION INVESTMENT RIDER
CONTAINED IN THE TARIFF OF OHIO
POWER COMPANY.**

CASE No. 16-21-EL-RDR

OPINION AND ORDER

Entered in the Journal on March 14, 2018

I. SUMMARY

{¶ 1} The Commission adopts the Joint Stipulation and Recommendation filed on December 19, 2017, in its entirety, to resolve the issues raised in these proceedings.

II. APPLICABLE LAW

{¶ 2} Ohio Power Company d/b/a AEP Ohio (AEP Ohio or 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. 11-346-EL-SSO, et al., the Commission modified and approved, pursuant to R.C. 4928.143, AEP Ohio's application for an ESP, to be effective with the first

billing cycle of September 2012 through May 31, 2015. Among other provisions of the ESP, the Commission modified and approved AEP Ohio's proposed distribution investment rider (DIR) to allow for the recovery of capital costs for distribution infrastructure investments in order to facilitate improved service reliability. The Commission required that the DIR be reviewed annually for accounting accuracy, prudence, and compliance with the DIR plan developed by Staff and AEP Ohio. *In re Columbus Southern Power Co. and Ohio Power Co.*, Case No. 11-346-EL-SSO, et al. (*ESP 2 Case*), Opinion and Order (Aug. 8, 2012) at 42-43, 47, Entry on Rehearing (Jan. 30, 2013).¹

{¶ 5} In Case No. 13-2385-EL-SSO, et al., the Commission modified and approved an ESP for AEP Ohio, including modification and approval of the Company's request to continue the DIR, for the period of June 1, 2015, through May 31, 2018. *In re Ohio Power Co.*, Case No. 13-2385-EL-SSO, et al. (*ESP 3 Case*), Opinion and Order (Feb. 25, 2015) at 45-47, Second Entry on Rehearing (May 28, 2015) at 23-25, Fourth Entry on Rehearing (Nov. 3, 2016) at 50-51, Seventh Entry on Rehearing (Apr. 5, 2017) at 14.

III. PROCEDURAL BACKGROUND

A. Case No. 14-255-EL-RDR

{¶ 6} By Entry issued on March 26, 2014, in Case No. 14-255-EL-RDR (*2013 DIR Case*), the Commission selected Larkin & Associates, PLLC (Larkin) to perform the annual audit of AEP Ohio's DIR for 2013.

{¶ 7} On June 19, 2014, Larkin filed its compliance audit report.

{¶ 8} Staff filed comments on July 21, 2014, and July 28, 2014, regarding AEP Ohio's progress on the DIR program implementation and the compliance audit report, respectively.

¹ Prior to December 31, 2011, AEP Ohio included Columbus Southern Power Company (CSP) and Ohio Power Company (OP). By Entry issued on March 7, 2012, in Case No. 10-2376-EL-UNC, the Commission approved and confirmed the merger of CSP into OP, effective December 31, 2011.

{¶ 9} By Entry issued August 11, 2014, a procedural schedule was established and Ohio Consumers' Counsel (OCC) was granted intervention in the *2013 DIR Case*.

{¶ 10} Consistent with the directives in the Entry issued August 11, 2014, OCC filed comments and AEP Ohio filed reply comments in the *2013 DIR Case*.

B. Case No. 15-66-EL-RDR

{¶ 11} By Entry issued on March 18, 2015, in Case No. 15-66-EL-RDR (*2014 DIR Case*), the Commission selected Baker Tilly Virchow Krause, LLP (Baker Tilly) to perform the annual audit of AEP Ohio's DIR for 2014.

{¶ 12} Baker Tilly filed its compliance audit report in the *2014 DIR Case* on August 6, 2015.

{¶ 13} On August 6, 2015, Staff filed comments regarding AEP Ohio's progress on implementation of the DIR programs.

{¶ 14} By Entry issued November 19, 2015, the procedural schedule was established in the *2014 DIR Case*, including the due date for motions for intervention and the filing of comments and reply comments on the audit report and on Staff's report regarding AEP Ohio's implementation of the DIR programs.

{¶ 15} Consistent with the procedural schedule for the *2014 DIR Case*, on December 10, 2015, OCC filed comments and, on December 28, 2015, AEP Ohio, Ohio Manufacturers' Association Energy Group (OMAEG), and Staff filed reply comments.

C. Case No. 16-21-EL-RDR

{¶ 16} On March 16, 2016, in Case No. 16-21-EL-RDR (*2015 DIR Case*), the Commission selected Blue Ridge Consulting Services, Inc. (Blue Ridge) to perform the annual audit of AEP Ohio's DIR for 2015.

{¶ 17} Blue Ridge filed the audit report on August 4, 2016.

{¶ 18} By Entry issued April 13, 2017, a procedural schedule was established in the *2015 DIR Case*.

{¶ 19} Consistent with the procedural schedule in the *2015 DIR Case*, comments were filed by AEP Ohio, Staff, and OCC on May 15, 2017, and reply comments were filed by AEP Ohio, Staff, and OCC on June 5, 2017.

D. Consolidated DIR Cases

{¶ 20} By Entry issued on June 29, 2017, the *2013 DIR Case*, *2014 DIR Case*, and *2015 DIR Case* were consolidated, due dates for testimony were set, and an evidentiary hearing was scheduled for November 20, 2017, to address the issues raised by the parties and in the audit reports. The June 29, 2017 Entry also granted the motions to intervene filed by The Kroger Co. (Kroger), OMAEG, and OCC in the *2014 DIR Case* and granted OCC's motion to intervene in the *2015 DIR Case*.

{¶ 21} On October 25, 2017, AEP Ohio filed a motion for an extension of the procedural schedule to afford the parties additional time to engage in negotiations to settle one or all of the issues disputed in these matters.

{¶ 22} By Entry issued on October 26, 2017, AEP Ohio's motion for an extension of the procedural schedule was granted.

{¶ 23} On November 2, 2017, AEP Ohio, Staff, OCC, Kroger, and OMAEG filed a joint motion for a suspension of the procedural schedule.

{¶ 24} By Entry issued on November 3, 2017, the parties' joint motion for a suspension of the procedural schedule was granted.

{¶ 25} On December 19, 2017, AEP Ohio, Staff, and OMAEG (Signatory Parties) filed a Joint Stipulation and Recommendation (Stipulation), which purportedly resolves all of the issues raised in these proceedings. Kroger signed the Stipulation as a non-opposing party.

{¶ 26} By Entry issued on December 21, 2017, to assist the Commission in its consideration of the Stipulation, a procedural schedule was established, including the filing of testimony in support of and in opposition to the Stipulation by January 22, 2018, and a hearing to commence on February 5, 2018.

{¶ 27} On January 22, 2018, AEP Ohio filed the testimony of Andrea E. Moore in support of the Stipulation.

{¶ 28} The hearing was held on February 5, 2018. At the hearing, as agreed by the Signatory Parties, 21 exhibits were admitted into evidence at the hearing, including the Stipulation (Joint Ex. 1), the direct testimony of Andrea E. Moore (Co. Ex. 1), the Larkin Audit Report (Staff Ex. 1), the Baker Tilly Audit Report (Staff Ex. 4) and the Blue Ridge Audit Report (Staff Ex. 7) (Joint Ex. 1 at 8).

IV. SUMMARY OF THE AUDIT REPORTS

{¶ 29} As previously noted, Larkin performed the DIR compliance audit in the 2013 *DIR Case*. Larkin makes the following recommendations in the audit report:

- (a) Larkin recommends that AEP Ohio be required to prepare an annual reconciliation of the DIR plan capital expenditures to the DIR distribution plant changes (Staff Ex. 1 at 3-6).
- (b) Larkin recommends that future DIR plan reports include only Ohio distribution spending (Staff Ex. 1 at 3-7).

{¶ 30} In the 2014 *DIR Case*, Baker Tilly performed the audit of the DIR and filed its report on August 6, 2015 (Staff Ex. 4). In the report, Baker Tilly makes the following recommendations:

- (a) Baker Tilly made three recommendations pertaining to the organization of the quarterly DIR filings to correct certain descriptions and improve the clarity of the filings (Staff Ex. 4 at 8).

- (b) Based on the fact that there were differences in meter quantities in the Meter Data System and PowerPlant system, Baker Tilly recommends that AEP Ohio recalculate the meter portion of the DIR calculation in prior years and make an adjustment in its next DIR update filing (Staff Ex. 4 at 12).
- (c) Baker Tilly recommends that AEP Ohio show the actual monthly DIR revenues as an additional column to the revenue requirement in its next DIR update filing to show the total revenue requirement under-collection through each month of the DIR. According to Baker Tilly, this will help provide transparency in showing the total DIR revenues collected versus the revenue requirement and the over- or under-collection through the entire timeframe of the DIR. Through a formal data request, AEP Ohio provided the auditor a monthly schedule that helps delineate the DIR over- or under-collection through the timeframe of the DIR. (Staff Ex. 4 at 18, 21, Ex. A.)
- (d) Baker Tilly notes that the current over- or under-collection schedule of the quarterly DIR filings shows the over- or under-collection amount of the DIR to include the deferred asset recovery rider (DARR) true-up revenue. For the sake of clarity, Baker Tilly recommends that the DARR true-up revenue be calculated separately from the over- or under-collection calculation that compares the DIR revenues from the DIR revenue requirement. Further, AEP Ohio should consider stating that the DARR true-up revenue is a life-to-date cumulative balance and not an incremental balance that is included with each successive DIR filing. By way of a formal data request, AEP Ohio provided the auditor a monthly schedule that helps delineate the DIR over- or under-collection and the DARR collection through the timeframe of the DIR. (Staff Ex. 4 at 20, 21, Ex. A.)

{¶ 31} The Blue Ridge compliance audit report was filed on August 4, 2016, and included the following ten recommendations:

- (a) Blue Ridge recommends, should the Company receive the refunds being pursued as a result of the vendor contract audits' determination of overpaying vendors for services, the DIR of the year in which the refund is received should reflect the appropriate impact of the refund(s) (Staff Ex. 7 at 25).
- (b) Blue Ridge recommends AEP Ohio provide a reconciliation in future filings comparing the amount of plant recovered in the enhanced service reliability rider and gridSMART rider with the amount shown excluded within the DIR (Staff Ex. 7 at 30, 45-46).
- (c) Blue Ridge recommends that, in addition to the jurisdictional allocations and accrual rates for each account, the information also be provided by subaccount (Staff Ex. 7 at 30, 45).
- (d) Blue Ridge recommends, if a Lotus Notes database is going to be used by management to approve projects, a form be attached to the project documentation to support the approval, providing an audit trail (Staff Ex. 7 at 37).
- (e) Blue Ridge recommends that AEP Ohio be required to provide the Commission information on the work orders in the sample selection that are greater than 15 percent over budget. That information should provide the detailed reason the work order was over budget. If a change order or estimate revision was initiated that increased the original estimate, the Company should provide that change documentation along with all necessary management approvals. (Staff Ex. 7 at 38.)

- (f) Blue Ridge recommends that work order costs associated with cost elements 141, 145, 154, and 155 be removed from the DIR. These are costs that, in Blue Ridge's opinion, are not payroll, payroll related, or an appropriate overhead cost that benefits the project(s). (Staff Ex. 7 at 38-39, 52.)
- (g) Blue Ridge recommends, in regard to work order 7900299 involving \$669,609 for the purchase of meters from an affiliate, AEP Ohio demonstrate to the Commission that the purchase of the meters from AEP Ohio affiliates represents the lowest cost alternative to the Company (Staff Ex. 7 at 39).
- (h) Blue Ridge recommends, in regard to work order 7900299 involving the purchase of 4,955 meters at a total cost of \$5,924,249, AEP Ohio provide to the Commission a comparison of the actual meter costs, without the capitalized labor or other installation costs, with other similar meter type costs, supporting the fact that this purchase was in line with other similar purchases (Staff Ex. 7 at 39).
- (i) Blue Ridge recommends the Company continue to monitor inactive work orders that appear on the inactive work order report and strive to resolve outstanding issues within a reasonable timeframe of six months (Staff Ex. 7 at 41).
- (j) Blue Ridge recommends AEP Ohio adhere to its stated policy to not hold work orders open to collect additional charges past 90 days (Staff Ex. 7 at 41).

V. CONSIDERATION OF THE STIPULATION

A. *Summary of the Stipulation*

{¶ 32} As noted previously, on December 19, 2017, AEP Ohio, Staff, and OMAEG filed a Stipulation that purports to resolve all the issues in the consolidated DIR cases. Kroger also signed the Stipulation as a non-opposing party. (Joint Ex. 1 at 1, 3, 11). Below is a summary of the Stipulation:²

- (a) The Signatory Parties recommend that the Commission adopt without modification the terms and conditions of the Stipulation to fully adjudicate and resolve these proceedings (Joint Ex. 1 at 3).

The Scope of the Stipulation

- (b) The Signatory Parties agree to pursue a settlement package in accordance with the following provisions, with the end result being to fully address all of the issues in the *2013 DIR Case*, *2014 DIR Case*, and *2015 DIR Case*. Audit recommendations not addressed in the Stipulation have either been implemented or are in the process of being implemented. (Joint Ex. 1 at 3.)
- (c) The Signatory Parties agree that the Company will provide the actual system average interruption frequency index and customer average interruption duration index reliability performance for 2011 and 2012 for the combined CSP and OP, both including and excluding major events pursuant to Ohio Adm.Code 4901:1-10-01(T), so that reliability performance before the approval of the DIR and after the implementation of the DIR can be more accurately compared (Joint Ex. 1 at 3-4).

² This is a summary of the Stipulation and does not supersede or replace the Stipulation.

- (d) The Signatory Parties agree that, in preparing its annual DIR work plan, AEP Ohio will continue to prioritize, to the extent practical and reasonable, programs that are intended to reduce outage events, customers interrupted, and customer minutes interrupted based on the causes that each represent at least ten percent of the customers interrupted as reflected in the annual reliability report pursuant to Ohio Adm.Code 4901:1-10-10(C)(3)(a). Separate and apart from the Company's normal interactions with Staff, the Company agrees to meet annually with the Signatory Parties and non-opposing parties to explain the extent in which the DIR work plan is being adapted to address causes within the Company's control that each represent at least ten percent of the outages in the annual reliability report and/or to explain the rationale for why such adaptation is not practical or reasonable. The Company will also provide annual updates to the Signatory Parties and non-opposing parties demonstrating the quantifiable impact that those DIR programs have had on customer reliability performance. (Joint Ex. 1 at 4.)

2013 DIR Case Plan and Audit Recommendations

- (e) The Signatory Parties agree that AEP Ohio has implemented the recommendations made in the Larkin audit report in the *2013 DIR Case* and no further action is required. Specifically, as of the transfer of Wheeling Power Company, the DIR plan reports include only Ohio distribution spending. Accordingly, AEP Ohio has implemented quarterly processes of reconciling the total distribution plant with distribution capital expenditures. (Joint Ex. 1 at 4.)
- (f) The Signatory Parties' understanding is that the Commission did not require either in its Opinion and Order or Entry on Rehearing in the

ESP 2 Case, which authorized the DIR, that the DIR be based on a cost benefit analysis. The Signatory Parties agree that that Company should estimate, if practical, a quantifiable benefit for any DIR programs that are expected to have a reliability improvement. The Company agrees to quantify the expected reliability benefit of such programs in the DIR work plan. (Joint Ex. 1 at 5.)

- (g) The Signatory Parties agree that the data related to the DIR plan provided by the Company to Staff was sufficient to address the directives of the Commission's Order in the *ESP 2 Case* and no further action is required in these proceedings (Joint Ex. 1 at 5).
- (h) The Signatory Parties agree that the DIR plan implemented through a collaboration of Staff and the Company was reasonable and no further changes or actions are required (Joint Ex. 1 at 5).

2014 DIR Case Plan and Audit Recommendations

- (i) The Signatory Parties agree that AEP Ohio has implemented the necessary clarification items from the Baker Tilly audit report (Joint Ex. 1 at 5).
- (j) The Signatory Parties agree that the Company has made the appropriate adjustments to the meter data as discussed in the Baker Tilly audit report and no additional actions are required (Joint Ex. 1 at 5).
- (k) The Signatory Parties agree that the stipulated property tax rate used by the Company was appropriate and no further action is required (Joint Ex. 1 at 5).

- (l) The Signatory Parties agree that the Company's implementation of the tax accounting changes pursuant to the tangible property regulations is progressing in a timely manner and the Company will provide for the Commission's review of the quantification of these changes once the value has been recognized for tax purposes. The Company's implementation of such a change will be subject to further review and final approval in the annual compliance audits during which its implementation is occurring, but the question of whether the Company should have implemented the capital repairs deduction earlier than 2017 is fully and finally resolved through the Company making a one-time reduction to the 2018 DIR revenue requirement of \$2,142,337.62. (Joint Ex. 1 at 5-6.)
- (m) The Signatory Parties agree that the data provided by the Company related to the DIR plan was sufficient to address the directives of the Commission's Order in the *ESP 2 Case*. AEP Ohio will commit to improve planning coordination between AEP Ohio's Distribution, Transmission, and Station organization. No additional action is required as a result of the *2014 DIR Case*. (Joint Ex. 1 at 6.)
- (n) The Signatory Parties agree that the capitalization policy change was permissible within the Generally Accepted Accounting Principles (GAAP). The Signatory Parties further agree that the Company will clearly state any impending capitalization policy changes in its quarterly filings, directly quantifying the value, if possible, and working with Staff on alternative calculations if actual quantification is not possible. Such changes shall be subject to the Commission's approval and the Signatory Parties recommend the Commission approve such changes upon the effective date of the DIR quarterly

filing unless otherwise suspended by the Commission. (Joint Ex. 1 at 6.)

2015 DIR Case Audit Recommendations

- (o) The Signatory Parties agree that the capitalization policy change, as it related to 2014, was permissible within GAAP. The Signatory Parties further agree that the Company will clearly state any impending capitalization policy changes in its quarterly filings, quantifying the value, if possible, and working with Staff on alternative calculations if quantification is not possible. Such changes shall be subject to the Commission's approval and the Signatory Parties recommend the Commission approve such changes upon the effective date of the DIR quarterly filing unless otherwise suspended by the Commission. (Joint Ex. 1 at 6-7.)
- (p) The Signatory Parties agree that the Company has implemented the Commission's directive to adjust the property tax in the DIR from the *ESP 3 Case* and no further action is required (Joint Ex. 1 at 7). *ESP 3 Case*, Opinion and Order (Feb. 25, 2015) at 44, 46.
- (q) The Signatory Parties agree that the Company's implementation of the tax accounting changes pursuant to the tangible property regulations is progressing in a timely manner and the Company will provide to the Commission for its review the quantification of these changes once the value has been recognized for tax purposes. The Company's implementation of such a change will be subject to further review and final approval in the annual compliance audits during which its implementation is occurring. (Joint Ex. 1 at 7.)

- (r) The Signatory Parties agree that Blue Ridge's audit recommendations (a) through (e) and (g) through (j), as reflected above, have been resolved through its audit report in the 2016 DIR audit in Case No. 17-38-EL-RDR, and no further action is required. The Company will continue to monitor work orders that appear on the inactive work order report and will continue to monitor that no work orders remain open past 90 days. (Joint Ex. 1 at 7.)
- (s) The Signatory Parties agree that Blue Ridge's audit recommendation (f), as reflected above, is better addressed as part of the base distribution case to be filed by June 1, 2020. The Signatory Parties further agree that no such adjustment was made to the rate base in the Company's last base rate filing, in Case No. 11-351-EL-AIR, et al. (Joint Ex. 1 at 7-8.)

B. Standard of Review of the Stipulation

{¶ 33} Ohio Adm.Code 4901-1-30 authorizes parties to Commission proceedings to enter into a stipulation. Although not binding upon the Commission, the terms of such an agreement are accorded substantial weight. *Consumers' Counsel v. Pub. Util. Comm.*, 64 Ohio St.3d 123, 125, 592 N.E.2d 1370 (1992), citing *Akron v. Pub. Util. Comm.*, 55 Ohio St.2d 155, 157, 378 N.E.2d 480 (1978). This is especially true where the stipulation is unopposed by any party and resolves all issues presented in the proceeding in which it is offered.

{¶ 34} The standard of review for considering the reasonableness of a stipulation has been discussed in a number of prior Commission proceedings. *See, e.g., In re Dominion Retail, Inc. v. The Dayton Power and Light Co.*, Case No. 03-2405-EL-CSS, et al., Opinion and Order (Feb. 2, 2005); *In re Cincinnati Gas & Elec. Co.*, Case No. 91-410-EL-AIR, Order on Remand (Apr. 14, 1994); *In re Ohio Edison Co.*, Case No. 91-698-EL-FOR, et al., Opinion and Order (Dec. 30, 1993); *In re Cleveland Elec. Illum. Co.*, Case No. 88-170-EL-AIR, Opinion and Order (Jan. 31, 1989). The ultimate issue for the Commission's consideration is whether the

agreement, which embodies considerable time and effort by the signatory parties, is reasonable and should be adopted. In considering the reasonableness of a stipulation, the Commission has used the following criteria:

- (a) Is the settlement a product of serious bargaining among capable, knowledgeable parties?
- (b) Does the settlement, as a package, benefit ratepayers and the public interest?
- (c) Does the settlement package violate any important regulatory principle or practice?

{¶ 35} The Supreme Court of Ohio has endorsed the Commission's analysis using these criteria to resolve cases in a manner economical to ratepayers and public utilities. *Indus. Energy Consumers of Ohio Power Co. v. Pub. Util. Comm.*, 68 Ohio St.3d 559, 561, 629 N.E.2d 423 (1994), citing *Consumers' Counsel v. Pub. Util. Comm.*, 64 Ohio St.3d 123, 126, 592 N.E.2d 1370 (1992). Additionally, although not binding upon it, the Commission may place substantial weight on the terms of a stipulation. *Consumers' Counsel* at 126.

VI. COMMISSION'S DISCUSSION AND CONCLUSION

{¶ 36} AEP Ohio presented the testimony of Andrea E. Moore, Director of Regulatory Services for AEP Ohio, in support of the Stipulation. Ms. Moore testified that all parties were invited to participate in settlement discussions where each party was represented by experienced counsel and technical experts. According to Ms. Moore, the Stipulation is the product of multiple meetings, communications, and negotiations. Further, the Signatory Parties contend that the Stipulation is the product of lengthy, serious, arm's-length bargaining among the parties, all of whom, signatories and non-signatories, are capable and knowledgeable. (Joint Ex. 1 at 1-2; Co. Ex. 1 at 9.)

{¶ 37} AEP Ohio witness Moore states that the Stipulation represents a reasonable resolution of the DIR audit cases and reflects a package of commitments and agreements that benefit customers and the public interest. More specifically, Ms. Moore testified that the Stipulation facilitates the evaluation of the Company's reliability performance, prior to the adoption of the DIR in the *ESP 2 Case* and after the institution of the DIR; continues the practice of prioritizing distribution infrastructure investments based on outage events, customers interrupted, and the duration of interruptions; and implements additional interaction between the Signatory Parties and non-opposing parties to improve the transparency of the DIR plan. In addition, Ms. Moore noted that the Stipulation includes a one-time reduction to the DIR revenue requirement of approximately \$2.1 million to address the timing of AEP Ohio's implementation of the capital repairs deduction, to be reflected in the next quarterly DIR update after the Commission's approval of the Stipulation. (Joint Ex. 1 at 2; Co. Ex. 1 at 9-11; Tr. at 17-19.)

{¶ 38} AEP Ohio witness Moore proffered the Stipulation does not violate any important regulatory principle or practice; rather, the Stipulation is a settlement balancing the interests of customers and complying with the Commission orders approving the DIR. AEP Ohio witness Moore testified that the Stipulation reflects an equitable settlement of the issues raised in the annual DIR audit cases for 2013, 2014, and 2015. (Joint Ex. 1 at 2; Co. Ex. 1 at 11.)

{¶ 39} Based on a review of the record in these matters, the Commission finds that the Stipulation complies with the three-part test. The Stipulation appears to be the product of serious bargaining among capable, knowledgeable parties, all of whom participated in negotiations and were represented by experienced counsel and technical experts. As a package, the Stipulation benefits ratepayers and the public interest. The Stipulation resolves the issues presented in the DIR audit cases without extensive litigation and in a reasonable manner, and does not violate any important regulatory principle or practice. For these reasons, the Commission concludes the Stipulation satisfies the three-part test, is reasonable, and should be adopted. (Joint Ex. 1 at 1-2; Co. Ex. 1 at 9-11; Tr. at 17-19.)

VII. FINDINGS OF FACT AND CONCLUSIONS OF LAW

{¶ 40} AEP Ohio 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.

{¶ 41} Larkin was selected by the Commission to perform the annual audit of AEP Ohio's DIR for 2013. On June 19, 2014, Larkin filed its compliance audit report in the 2013 *DIR Case*.

{¶ 42} The Commission selected Baker Tilly to conduct the annual audit of AEP Ohio's DIR for 2014. Baker Tilly filed its compliance audit report, in the 2014 *DIR Case*, on August 6, 2015.

{¶ 43} Blue Ridge was selected by the Commission to perform the annual audit of AEP Ohio's DIR for 2015. On August 4, 2016, Blue Ridge filed its compliance audit report in the 2015 *DIR Case*.

{¶ 44} Consistent with the procedural schedule established in each DIR audit proceeding, comments and reply comments were filed by the various parties.

{¶ 45} The 2013 *DIR Case*, 2014 *DIR Case*, and 2015 *DIR Case* were consolidated by Entry issued on June 29, 2017.

{¶ 46} On December 19, 2017, a Stipulation was filed by AEP Ohio, Staff, and OMAEG resolving all of the issues raised in the 2013 *DIR Case*, 2014 *DIR Case*, and 2015 *DIR Case*. Kroger also signed the Stipulation as a non-opposing party.

{¶ 47} By Entry issued on December 21, 2017, a procedural schedule was established.

{¶ 48} The evidentiary hearing was held, as scheduled, on February 5, 2018.

{¶ 49} Based on the record, the Stipulation meets the criteria used by the Commission to evaluate stipulations, is a reasonable resolution of the issues, and should be adopted.

VIII. ORDER

{¶ 50} It is, therefore,

{¶ 51} ORDERED, That the Stipulation filed by AEP Ohio, Staff, OMAEG, and Kroger on December 19, 2017, be adopted and approved. It is, further,

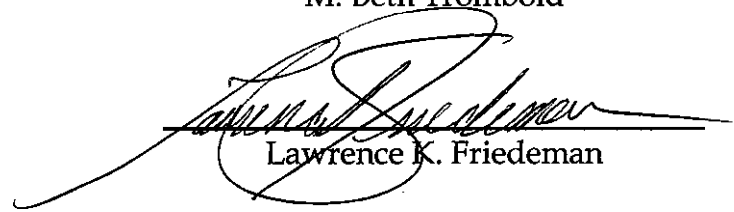
{¶ 52} ORDERED, That nothing in this Opinion and Order shall be binding upon the Commission in any future proceeding or investigation involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

{¶ 53} ORDERED, That a copy of this Opinion and Order be served upon all persons of record.

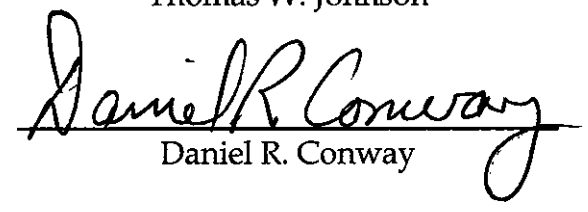
THE PUBLIC UTILITIES COMMISSION OF OHIO



Asim Z. Haque, Chairman

M. Beth Trombold

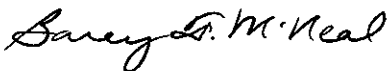
Lawrence K. Friedeman

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Barcy F. McNeal
Secretary

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