BEFORE 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**

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 ("Stipulation") in order to resolve all of the issues raised in this proceeding through the Amended Application filed by Ohio Power Company ("AEP Ohio" or the "Company") on May 15, 2015.

This Stipulation is a product of lengthy, serious, arm's-length bargaining among the Signatory Parties and other parties who chose not to sign the Stipulation (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 Stipulation and it was openly negotiated among those stakeholders who responded and chose to participate. This Stipulation is supported by adequate data and information; as a package, the Stipulation 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.[1] This Stipulation 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 Stipulation without modification in this proceeding.[2]

II. Recitals

WHEREAS, on December 20, 2013, AEP Ohio filed an Application in its most recent Electric Security Plan (ESP) proceeding (Case Nos. 13-2385-EL-SSO et al.) seeking the establishment of a Power Purchase Agreement (PPA) Rider and the inclusion in the PPA Rider of the net impacts of AEP Ohio's contractual entitlement to a share of the electrical output of generating units owned by the Ohio Valley Electric Corporation's ("OVEC PPA").

WHEREAS, on February 25, 2015, the Commission issued an Opinion and Order approving the PPA Rider on a placeholder basis (Case Nos. 13-2385-EL-SSO et al., Opinion and Order, at pages 25-27 (February 25, 2015) (the *ESP III Order*)).

WHEREAS, on October 3, 2014, AEP Ohio filed an Application in this proceeding – and on May 15, 2015, AEP Ohio filed an Amended Application in this proceeding – seeking inclusion of a new affiliate power purchase agreement between AEP Ohio and AEP Generation Resources, Inc. ("Affiliated PPA"), as well as the net impacts of the OVEC PPA, in the PPA Rider.

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[1] The Sierra Club, Direct Energy, and Interstate Gas Supply, Inc. (IGS) agree not to oppose this provision.

[2] The Sierra Club agrees not to oppose this provision.

WHEREAS, the parties engaged in extensive discovery in this proceeding, with AEP Ohio responding to over 1,100 discovery requests and 10 AEP Ohio witnesses being deposed;

WHEREAS, an evidentiary hearing was held in this proceeding, starting on September 28, 2015 and ending on November 3, 2015, with the parties sponsoring and examining thirty-seven witnesses;

WHEREAS, the Signatory Parties found common ground through the issues developed during the hearing and settlement discussions concerning those developing issues;

WHEREAS, this Stipulation 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;

WHEREAS, this Stipulation is based upon a proposal by AEP Ohio to sign a revised affiliate power purchase agreement between AEP Ohio and AEP Generation Resources, Inc. ("Revised Affiliate PPA").

WHEREAS, no party has compelled or coerced AEP Ohio to support the Revised Affiliate PPA, or to accept any particular rate or term of the Revised Affiliate PPA; but rather, AEP Ohio accepts the terms of the Revised Affiliate PPA completely voluntarily;

WHEREAS, the Signatory Parties agree that, although the Commission lacks jurisdiction over the rates and terms of the Revised Affiliate PPA itself, the Commission possesses well-established authority to determine the retail rate treatment of the Revised Affiliate PPA, including but not limited to (1) authority to determine whether the Revised Affiliate PPA, as proposed, is a prudent wholesale purchase that benefits retail customers and (2) whether (or to what extent) AEP Ohio should be permitted to pass on the net costs and net benefits of the Revised Affiliate PPA to retail customers;

WHEREAS, the Signatory Parties agree that resolution of the Amended Application and related issues through this Stipulation is premised upon obtaining retail rate treatment of the Revised Affiliate PPA;

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

III. Joint Recommendations of Signatory Parties

As a result of discovery, the evidentiary hearing, and party discussions, the Signatory Parties are in agreement on a Stipulation for Commission consideration. The Signatory Parties agree that, for purposes of settlement, the Commission should approve the Amended Application of Ohio Power Company as filed on May 15, 2015, subject to the modifications described in this Stipulation.[3]

A. Additional Terms and Conditions of the PPA Rider

1. Inclusion of a Revised Affiliate PPA in the PPA Rider

The Signatory Parties agree that it would prudent for AEP Ohio to sign a Revised Affiliate PPA, which has been updated as summarized in Attachment A.[4] Consistent with the terms of the PPA Rider as approved in the *ESP III Order* and as proposed in the Amended Application, the Signatory Parties further agree that the net credits or costs of a Revised Affiliate PPA should be reflected in AEP Ohio's retail rates by including the Revised Affiliate PPA in the PPA Rider.[5]

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[3] The Sierra Club agrees not to oppose this provision.

[4] Sierra Club, Direct Energy, and IGS are not participating in this provision but agree not to oppose it.

[5] Sierra Club, Direct Energy, and IGS are not participating in this provision but agree not to oppose it.

2. Inclusion of OVEC Entitlement in PPA Rider

The Signatory Parties agree that the net credits or costs of AEP Ohio's contractual entitlement to a share of the electrical output of generating units owned by the Ohio Valley Electric Corporation ("OVEC PPA") should be reflected in AEP Ohio's retail rates by including the OVEC PPA in the PPA Rider, as proposed in AEP Ohio's Amended Application.[6] Consistent with the *ESP III Order* (page 27), AEP Ohio will continue reasonable efforts to explore divestiture of the OVEC asset and report by June 30 annually; but the Signatory Parties agree that ongoing inclusion of the OVEC PPA in the PPA Rider is not dependent upon a successful divestiture of the OVEC asset.

3. Additional PPA Rider Credit Commitment of AEP Ohio

To encourage AEP Ohio to exercise its contractual rights under the Revised Affiliated PPA to ensure that the PPA Units are managed efficiently, cost-effectively, and with maximum market profitably, AEP Ohio will make the following commitment: If, in any of the last four years of the PPA Rider, the unadjusted PPA Rider results in a charge to customers or a credit to customers is less than the amount set forth in the table below, AEP Ohio agrees to provide an additional credit to customers, not to exceed the amount set forth in the table below:

Planning Year 2020/2021 – $10M

Planning Year 2021/2022 – $20M

Planning Year 2022/2023 – $30M

Planning Year 2023/2024 – $40M

In no event will AEP Ohio provide an additional credit that result in customers receiving a net credit (the sum of the unadjusted PPA Rider credit and the additional credit) that exceeds

[6] Sierra Club, Direct Energy, and IGS are not participating in this provision but agree not to oppose it.

the amount set forth in the table above. For example, if the unadjusted PPA Rider credit were $5 million in Planning Year 2020/2021, then AEP Ohio would provide customers an additional credit of $5 million, resulting in a net credit of $10 million. Alternatively, if, in that same planning year, the unadjusted PPA Rider charge were $16 million, then AEP Ohio would provide an additional credit of $10 million to customers, resulting in a net charge of $6 million. To further illustrate, if in that same planning year, the unadjusted PPA Rider charge were $5 million, then AEP Ohio would provide an additional credit of $10 million, resulting in a net credit of $5 million.

The unadjusted PPA Rider value under this provision (Section III.A.3) that is used to determine the level, if any, of a Company-funded credit for a given year shall be calculated without including the cost of the renewable facilities implemented under Section III.I of this Stipulation.

4. PPA Rider Mechanism

The Signatory Parties agree that the PPA Rider will be set based on annual forecasted values subject to quarterly true-ups to reflect actual values, with the initial rider rate being based on a $4 million credit for 2016 (annualized) subject to reconciliation. Consistent with the Amended Application and supporting testimony, AEP Ohio would flow all revenues and costs relating to the Affiliated PPA and the OVEC PPA through the PPA Rider. PPA Rider credits and charges will be allocated to rate classes/voltage levels (Residential; GS Non-Demand; Secondary; Primary; Sub/Tran; and Lighting) schedules based upon their PJM five monthly coincident peak demands for the prior year. PPA Rider costs/credits will be billed to customers through a per kWh charge for each rate class/voltage level.

5. Other Contingencies for Continuation of the PPA Rider Recovery

The Signatory Parties agree that, based on the following conditions and presuming an extension of the ESP III term through May 31, 2024, PPA Rider recovery will extend through May 31, 2024:

a. **Rigorous Review of PPA Rider:** AEP Ohio agrees to participate in annual compliance reviews before the Commission to ensure that actions taken by the Company when selling the output from generation units included in the PPA Rider into the PJM market were not unreasonable. AEP Ohio, not its customers, would be responsible for the adjustments made to the PPA Rider based on actions deemed unreasonable by the Commission, including any costs (after proper consideration of such costs and netting of any bonus payments) associated with performance requirements in PJM's markets. Any determination that the costs and revenues included in the PPA Rider are unreasonable shall be made in light of the facts and circumstances known at the time such costs were committed and market revenues were received. In addition, the calculation of PPA Rider will be based on the sale of power into PJM.

b. **Full Information Sharing:** AEPGR fleet information on any cost component will be provided pursuant to a reasonable Staff request (as determined by the Commission) as it conducts a reasonableness review of a specific cost component for the generation units included in the Affiliated PPA. Staff shall treat any and all such information, regardless of its content, as if it is highly sensitive, proprietary, trade secret information, and Critical Energy Infrastructure Information.[7] In addition, as

[7] Sierra Club is not participating in this provision but agrees not to oppose it.

permitted by law, such information shall not be subject to a public information request and shall be protected indefinitely.

c. **Commission Option to Terminate Upon Unit Sale:** The Company's retail rate recovery from the purchase of wholesale generation from a PPA unit may be extinguished upon the sale or transfer to a non-affiliate of any generation units that are included in the purchase power agreement,[8] if the Commission decides to exclude that unit from the PPA Rider based on the circumstances of such transfer or sale.[9] The Commission may also determine that such unit should be maintained in the PPA Rider.

d. **Commitment Reporting**: AEP Ohio will file an annual compliance report with the Commission by December 31, 2016 and for the remainder of the extended ESP term, confirming that the commitments in Section III of this Stipulation are being met.

6. Future Modifications to the Revised Affiliated PPA

The Signatory Parties agree that, by adopting this Stipulation, the Commission will make no finding as to the prudence of any future modification to a Revised Affiliated PPA, and the Commission will reserve the right to review the prudence of AEP Ohio agreeing to any such future modification as part of its ongoing oversight of retail rates. AEP Ohio agrees that it will

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[8] For example, AEP has indicated that it will maintain separate accounting and may decide to transfer the Affiliated PPA Units into a separate subsidiary in order to facilitate the PPA transaction, which would not trigger operation of Section III.A.5.c. For purposes of this provision and the entire Stipulation, an "affiliate" of AEP Ohio does not include utility operating companies.

[9] Changes among the current owners in the ownership structure of the jointly owned units, either in whole or in part, while maintaining a comparable level of capacity for the generation station and while avoiding adverse economic impacts for retail customers, shall not be considered a sale for purposes of this provision. Further, if the Company is successful in divesting the OVEC asset, that outcome will not trigger operation of Section III.A.5.c. Finally, the renewable projects relating to Section III.I are not trigger operation of Section III.A.5.c.

request a Commission determination of the prudence of any future modification to the Affiliated PPA. In addition, AEP Ohio would agree to make a voluntary filing to obtain Commission prudence determination prior to changing depreciation rates under the Affiliated PPA. AEP Ohio, not its customers, would be responsible for any increased costs associated with changing depreciation rates if the Commission determines such changes are not prudent.

B. Federal Advocacy

AEP Ohio[10] will make the following additional commitments in order to continue to proactively and cooperatively work to improve the PJM markets and advance initiatives that ultimately will benefit retail customers in Ohio:

1. Through May 31, 2024, AEP Ohio will advocate in good faith before PJM and FERC for market enhancements such as a longer-term capacity product, and any other market improvements. Before making any such filing, AEP Ohio will inform Staff of its position and the rationale behind it.
2. Beginning June 1, 2016, and continuing through May 31, 2024, AEP Ohio will provide a public, annual update to the Commission on the state of wholesale electricity markets from AEP Ohio's perspective.
3. In the event that PJM has not obtained approval for a longer term capacity product to address State resource adequacy needs by September 1, 2017, the Commission will solicit comments from interested parties no later than October 30, 2017, addressing the State's long term resource adequacy needs.

[10] The Federal Advocacy commitments are those of AEP Ohio and not of any other Signatory Party.

C. Extension of *ESP III* term through May 31, 2024

AEP Ohio will file a separate Application with the Commission requesting that its current Electric Security Plan be extended through the term of the Affiliated PPA – that is, until May 31, 2024. AEP Ohio will file this separate application by April 30, 2016. Among other appropriate proposals to be developed as part of the application, AEP Ohio will include the following provisions and features in its Application:

1. A proposal for extension of riders and tariffs relating to the expanded ESP term, including but not limited to the terms and conditions for extension of the Distribution Investment Rider (DIR).

2. Any additional funding commitments relating to the expanded ESP term.

3. A proposal to extend the competitive bidding process for SSO procurement, including the schedule, auction products and related matters.

4. An analysis and proposal relating to the significantly excessive earnings test for the extended ESP term.

5. An analysis of the statutory market rate offer comparison test.

6. The additional issues under the ESP statute relating to the expanded ESP term.

In addition to the foregoing general matters to be addressed in the Application to extend the ESP term, the Company agrees to propose and the Signatory Parties agree to advocate for approval (and the non-opposing parties agree to either support or not oppose) of the following items as agreed to in this Stipulation:

7. A provision to extend the IRP tariff and credit for the full expanded ESP term (*i.e.*, through May 31, 2024) for the current IRP tariff customers as well as 250 MW of additional interruptible load of Signatory Parties' members that qualify under the tariff as well as members

of non-opposing parties. 150 MW of the additional interruptible load shall be reserved for new businesses locating in the service territory of AEP Ohio. If 100 MW of additional interruptible load subscribes to tariff IRP during the 12 months immediately following approval of this stipulation then the IRP tariff shall be increased by an additional 25 MW available to Signatory Parties' members. The Company will also include a provision to increase the IRP credit to $9/kW-month starting in June 2018 and throughout the remainder of the extended ESP term for any customers that are participating during that time period. The IRP tariff proposal will be updated to reflect the terms of this paragraph including that it will be available to both SSO and shopping customers.

8. A provision to include an automaker credit provision to support increased utilization or expansion of automaker facilities in the Company's service territory. The automaker credit provision will provide a $10/MWh credit for all KWh consumption above the customer's baseline consumption. The baseline will be established based upon the customer's calendar year 2009 annual usage. Total credits under this provision shall not exceed $500,000 annually. Recovery of these credits will be through Rider EDR.

9. A provision giving GS-3 and GS-4 customers with interval metering capability the opportunity to opt-in to a pilot mechanism under the new Basic Transmission Cost Rider (BTCR) based on each eligible customer's single annual transmission coincident peak demand.

10. [Reserved]

11. Signatory Parties agree that nothing in this Stipulation constitutes an amendment of the Company's existing EE/PDR plan for purposes of the uncodified provisions enacted in 2014 by Senate Bill 310 and that nothing in this Stipulation affects a customer's opt-out right under R.C. 4928.6612, as that provision was enacted in 2014 by Senate Bill 310. IRP tariff

customers may opt out of the opportunity and ability to obtain direct benefits from AEP Ohio's EE/PDR Plan as provided in S.B. 310. No account properly identified in the customer's verified notice under R.C. 4928.6612 shall be subject to any cost recovery mechanism under R.C. 4928.66 or eligible to participate in, or directly benefit from, programs arising from electric distribution utility portfolio plans approved by the Commission.

12. AEP Ohio will file and advocate for a pilot program that establishes a bypassable Competition Incentive Rider (CIR) as an addition to the SSO non-shopping rate above the auction price with the purpose of incenting shopping and recognizing that there may be costs associated with providing retail electric service that are not reflected in SSO bypassable rates.[11] The total collected from the CIR will then be refunded to all distribution customers through a new rider established in the 2016 ESP amendment case.

a. AEP Ohio and Signatory Parties will meet to determine the charge to include based on a mills per KWh. This will be included in the 2016 ESP amendment case. If the Signatory Parties cannot agree on an appropriate charge the Commission Staff will choose the final level for inclusion in AEP Ohio's ESP extension filing.
b. AEP Ohio will file and support approval of a pilot rider to credit the amount collected from the CIR bypassable pilot rider in the 2016 ESP amendment. The rider will provide a credit for all distribution customers using the same rate design associated with the PPA Rider.
c. The charge from the CIR would take effect concurrent with the implementation of the SSO credit rider upon final Order of the ESP extension proceeding. Unless

[11] Ohio Partners for Affordable Energy is not participating in this provision but agrees not to oppose it in this docket.

otherwise amended by the Commission, the CIR pilot adder shall be in effect through the term of the affiliated PPA recovery sought in this agreement or until new distribution base rates are put into effect. AEP Ohio will provide an analysis as part of its next distribution rate case to show all of the actual costs required to provide SSO generation service that are included in the Company's cost of service study.

13. Aside from the above-listed items, the Company agrees not to propose any changes relating to the current ESP term (*i.e.*, through May 31, 2018) for the riders and tariffs approved in the *ESP III* Order. In addition, the Company agrees not to renew proposals for riders or tariffs that were rejected in the *ESP III* Order for both the current ESP term and the extended ESP term (*i.e.*, though May 31, 2024).

D. Additional AEP Ohio Commitments

1. AEP Ohio will make a shareholder-funded donation of $500,000 to a research and development program for clean energy technology at an Ohio public higher educational institution.

2. In a manner that is consistent with the Company's existing EE/PDR plan and while staying within the currently-approved funding levels, AEP Ohio will work with the Ohio Hospital Association (OHA) on an annual energy efficiency program targeted at OHA members in the AEP Ohio territory. The intent will be to partner with OHA over the term of this affiliate PPA, to encourage and increase OHA members' participation in AEP Ohio's cost effective energy efficiency programs at their facilities.

a. Provide $400,000 in EE/PDR funding per year through the term of the affiliate PPA, to the OHA to promote and obtain significant participation and energy/demand savings through AEP Ohio's EE/PDR programs amongst its members including Energy Star benchmarking, hospital energy audits, education related to energy efficiency and demand reduction, meetings with hospital facility directors and members of hospital c-suites, and presentations that champion energy efficiency, hospital resilience and energy-related actions to mitigate climate change, and related issues.

b. AEP Ohio and OHA will work together to develop and automate Energy Star benchmarking for OHA members in AEP Ohio's certified territory, which will support a broader offering to other customer segments.

c. Provide up to $600,000 per year through the term of the affiliate PPA, in additional incentives from EE/PDR funding for contributions to qualifying EE/PDR projects under the AEP Ohio program. OHA and AEP Ohio will collaborate to determine the level of funding from this pool of dollars to contribute to projects throughout the year to provide an extra incentive for OHA members to implement EE/PDR projects under the AEP Ohio Plan. Consideration for the additional incentives should include the size of the facility with a preference for smaller OHA members that have below average Energy Star scores.

d. AEP Ohio will prioritize circuits with OHA members for any Volt-Var Optimization deployments over the term of the Affiliate PPA, when determining the implementation plan. AEP will work with OHA to determine which circuits will be prioritized taking into account the benefit to the circuit in comparison to others and construction/staging considerations.

e. AEP Ohio will commit to update all Alternative Feed Service rates for OHA members to a uniform $2.50 per KW month.

f. AEP Ohio, in collaboration with OHA, will provide a Continuous Energy Improvement program for rural hospitals in AEP Ohio's certified territory with the goal of improving each participating hospital's energy efficiency.

OHA's partnership and rights to administer the programs and receive funding under this clause will be contingent upon continued approval and existence of an AEP Ohio EE/PDR Plan, approved funding and any other necessary mechanism to ensure the continued recovery of net lost distribution revenues. OHA will support the approval of budgets and components of the EE/PDR rider, including shared savings at least at their current levels in future filings.

3. In a manner that is consistent with the Company's existing EE/PDR plan and while staying within the currently-approved funding levels, OPAE will receive $200,000 in 2016 to provide direct assistance with the approved Community Assistance Program ("CAP") program within the Company's EE/PDR Plan as follows:

a. Design and manage bulk purchasing of refrigerators and other EE measures where feasible;

b. Provide software and manage temporary data reporting for CAP through March, 2016, or until the AEP Ohio Energy Efficiency Customer Platform (EECP) data system is in place;

c. Provide monitors to administer Quality Assurance/Quality Control of the CAP program; and

d. Manage the training of Community Action Agencies on the AEP Ohio EECP data system used for CAP and other meetings and training initiatives as necessary including the annual Weatherize Ohio conference.

For 2017 OPAE will manage and administer the CAP Program within AEP Ohio's EE/PDR Plan. The program will have an annual budget up to $8,000,000. OPAE will receive a five percent management fee. In addition to overall management of the program OPAE will continue to provide quality assurance/quality control of the CAP Program.

OPAE's partnership and rights to administer the program and receive funding under this clause will be contingent upon continued approval and existence of an AEP Ohio EE/PDR Plan, approved cost recovery and any other necessary mechanism to ensure the continued recovery of net lost distribution revenues. OPAE will support the approval of budgets and components of the EE/PDR rider, including shared savings at least at their current levels in future filings.

4. Upon approval of the Stipulation, 50% of the EE/PDR rider costs for transmission and sub-transmission voltage customers will be transferred to the EDR rider through May 31, 2024.

5. Upon approval of the Stipulation, 50% of IRP credits from the EE/PDR Rider will be transferred to the EDR Rider, to more accurately reflect the economic development benefits of these credits charge for demand-metered customers.

6. AEP will maintain a nexus of operations (including employees) in Ohio relating to operation and support for the PPA Units for the duration of the PPA Rider. AEP intends to maintain its corporate headquarters in Columbus, Ohio for the term of the PPA Rider.

7. AEP Ohio agrees to work with Staff and Signatory Parties to determine the parameters of a 2-year *Pilot Supplier Consolidated Billing Program* for any Competitive Retail

Electric Service provider that is a Signatory Party. 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.

a. The participating CRES provider 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. Participating CRES agree to provide the Staff and the EDU with any and all information related to the pilot;

c. The Staff, AEP Ohio and participating CRES providers (CRES) 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 & collection procedures and purchase of receivables without recourse;

d. The methodology to govern this pilot shall be established no later than six months from a final Order approving a Stipulation in this proceeding;

e. Due to the nature of a pilot program, the supplier consolidated billing pilot will be limited to 5,000 customers per CRES Signatory Party for the first 6 months of active implementation.

    i. Based upon bi-annual review and approval by Staff, AEP Ohio and Participating CRES Signatory Parties, the customer participation cap shall be incrementally increased by 5,000 customers each six months not to exceed 20,000 customers for any individual CRES Signatory Party 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. Signatory Parties retain the right to petition the Commission to expand the pilot cap or terms pending Commission consideration of future consolidated billing orders.

f. Costs related to AEP Ohio's implementation of the Pilot Supplier Consolidated Billing Program will be shared 50% by the CRES Signatory Parties. AEP Ohio's 50% share will 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 providers.

g. Participating CRES suppliers shall have the ability to bill under the Pilot Supplier Consolidated Billing Program no later than 1 year from approval of the final opinion and Order approving a stipulation in this proceeding.

h. Participating CRES supplier shall not prohibit a customer from returning to the EDU consolidated billing.

i. Participating CRES suppliers 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. Any participating CRES supplier competitively sensitive information acquired by AEP and Staff under the Pilot Supplier Consolidated Billing Program shall be afforded the appropriate confidential treatment.

8. AEP Ohio will file a proposal for a pilot program in the comments due January 6, 2016, in the 12-3151-EL-COI docket. The proposal will be to establish a pilot program in the AEP Ohio service territory providing an EDU third-party agent call transfer process to educate and enroll interested customers moving and initiating service and to establish a procedure for the offering of a standard discount rate providing a guaranteed discount off the price to compare without early termination fees.

9. With respect to Conesville Units 5 and 6, AEP Ohio and its affiliates make the following commitments:

a. By July 1, 2016, AEP Ohio will make a cost recovery filing supporting the conversion of Conesville Units 5 and 6 to natural gas co-firing. These units will be converted by December 31, 2017, subject to approval for cost recovery for AEP Ohio through the PPA Rider and any other regulatory approvals. AEP Ohio agrees to use its best efforts to seek Commission approval for cost recovery of co-firing Conesville Units 5 and 6. If the Commission's cost recovery decision is not issued until after January 31, 2017 (the lead time needed for construction), the completion deadline may change commensurately based on the timing of the Commission's actual cost recovery approval decision.

b. For the period from completion of the co-firing project through December 31, 2029, AEP Ohio and its affiliate owner shall limit the coal heat input to no more than 28,737,180 MMBTUs per year (annualized for any partial years) combined for both units Conesville 5 and 6. This annual MMBTU limit is 37.5% of the unit's design level. AEP Ohio and its affiliates commit the units will maximize usage of natural gas when it is available and economic.

c. Conesville unit 6 will retire, refuel, or repower to 100% natural gas by December 31, 2029. If PJM pursues a Reliability Must Run (RMR) arrangement or equivalent mechanism for continued operation of the unit due to transmission reliability impacts of retiring of the unit, AEP Ohio and its affiliate will retire, refuel, or repower the unit at the end of such RMR arrangement or equivalent mechanism. Except as provided in Sections III.A.6 (potential depreciation rate change) and III.D.10 (Conesville co-firing costs), no costs to retire, refuel, or repower Conesville Unit 6 shall be recovered through the PPA Rider.

d. Conesville Unit 5 will retire, refuel, or repower to 100% natural gas by December 31, 2029. If PJM pursues a RMR arrangement or equivalent mechanism for continued operation of the unit due to transmission reliability impacts of retiring of the unit, AEP Ohio and its affiliate will retire, refuel, or repower the unit at the end of such RMR arrangement or equivalent mechanism. Except as provided in Sections III.A.6 (potential depreciation rate change) and III.D.10 (Conesville co-firing costs), no costs to retire, refuel, or repower Conesville Unit 5 shall be recovered through the PPA Rider.

10. AEP Ohio and its affiliates will retire, refuel, or repower Cardinal Unit 1 to 100% natural gas by December 31, 2030.[12] If PJM pursues a RMR arrangement or equivalent mechanism for continued operation of the unit due to transmission reliability impacts of retiring

[12] Buckeye Power, Inc. is not participating in Sections III.D.10-12 of this Stipulation.

of the unit, AEP Ohio and its affiliate will retire, refuel, or repower the unit at the end of such RMR arrangement or equivalent mechanism. Except as provided in Section III.A.6 (potential depreciation rate change), no costs to retire, refuel, or repower Cardinal Unit 1 shall be recovered through the PPA Rider.

11. With respect to Conesville Units 5 and 6 and Cardinal Unit 1, AEP Ohio and its affiliates make the following commitments. AEP Ohio will open a docket at the Commission no later than December 31, 2024, which it will update annually, known as the "Retirement Readiness" docket; the purpose of the docket will be to identify and timely remove any barriers to retiring, refueling or repowering Conesville 5 and 6 and Cardinal Unit 1 by the dates set forth above. Elements of the "Retirement Readiness" docket will include:

a. AEP Ohio or an independent third party will perform a unit-by-unit load flow analysis by December 31, 2024 to identify any transmission upgrades and/or non-transmission alternatives to: allow Cardinal Unit 1, Conesville Unit 5, and Conesville Unit 6 to retire, refuel, or repower on the dates set forth above without negative impacts to reliability or the need for reliability must run agreements. Such analysis will: (1) take off-line only Cardinal unit 1, Conesville Units 5 and 6, and all units that have notified PJM of their intensions to retire on or before December 31, 2029; (2) include new generation that has a signed interconnection agreement and is scheduled to go into service on or before December 31, 2029; (3) include transmission upgrades approved by the PJM board and has an expected completion date by December 31, 2029. Such analysis will include at least one scenario in which retiring capacity is replaced with 25% demand response, 25% renewables, and 50% non-coal new generation.

b. By December 31, 2024, AEP Ohio or an independent third party will identify specific transmission upgrades and/or non-transmission alternatives that would completely alleviate any identified reliability concerns. AEP Ohio will analyze non-transmission solutions to any reliability problems projected to result from retirement of the units, including energy efficiency, demand response, and distributed generation resources.

c. AEP Ohio or an independent third party will set forth a plan by December 31, 2024 to timely implement the specific transmission upgrades and/or non-transmission alternatives that would address the reliability concerns, so that each unit can be retired, refueled, or repowered by the dates set forth above. AEP Ohio will include in its implementation plan all cost-effective non-transmission solutions identified through this analysis. AEP Ohio will annually update this docket to inform the Commission of its progress in implementing its plan. A report documenting the results of such analysis and setting forth a plan for implementing each transmission upgrade and non-transmission alternative by the retire, refuel, or repower date shall be filed with the Commission at least four years before the retire, refuel, or repower date for each unit. AEP Ohio agrees to take reasonable steps to implement any necessary transmission upgrades or non-transmission alternatives so that each unit can be retired, refueled, or repowered by the dates set forth above.

d. No transmission upgrade costs or non-transmission alternative costs associated with the commitments set forth in this section (Section III.D.12) shall be recovered through the PPA Rider. Signatory Parties retain the right to challenge any proposed transmission upgrades or non-transmission alternatives.

12. With respect to the co-owned PPA Units (Conesville Unit 4, Zimmer Unit 1, Stuart Units 1-4 and OVEC Units), AEP Ohio and its affiliates make the following commitments. AEP Ohio will open a docket at the Commission no later than March 30, 2017, which it will update annually, known as the "Generation Transition" docket; the purpose of the docket will be to identify and remove any remaining barriers to retiring, repowering or refueling the co-owned units. Elements of the "Generation Transition" docket will include:

a. AEP Ohio will annually report and document in this docket the steps it and its affiliates have taken to secure retirement, repowering or refueling to 100% natural gas the remaining PPA units with joint owners.

b. If AEP Ohio is not able to get all of the remaining co-owners to commit to retirement, refueling or repowering the co-owned PPA units in a plan to be submitted by January 1, 2024, AEP will report and document in this docket the steps it has taken to consolidate ownership interest so that the co-owned units are exclusively owned by a single entity.

c. AEP Ohio or an independent third party will perform a unit-by-unit load flow analysis by December 31, 2020 to identify any transmission upgrades and/or non-transmission alternatives to: (a) allow Conesville unit 4, Zimmer unit 1, Stuart units 1-4, and the OVEC units to retire before their currently planned retirement dates without negative impacts to reliability or the need for reliability must run agreements; and to (b) minimally impact the local communities where coal plants are located by evaluating targeted investments in demand-side energy savings programs, renewables, and other alternative technologies. Such analysis will: (1) take off-line only Conesville unit 4, Zimmer unit 1, Stuart units 1-4, the OVEC units, and all units that have notified PJM of their intentions to retire using the same retirement scenarios for the co-owned units outlined below; (2) include new generation that has a signed interconnection agreement and is scheduled to go into service using the same retirement scenarios for the co-owned units outlined below; (3) include transmission upgrades approved by the PJM board and have an expected completion date using the same retirement scenarios for the co-owned units outlined below. Such analysis will include at least one scenario is which retiring capacity is replaced with 25% demand response, 25% renewables, and 50% non-coal new generation. This analysis will be filed as a part of the annual update in 2021 and will include scenarios for retirement of 5 years and 10 years before the currently-planned retirement date; for units currently scheduled to operate beyond 2039, the analysis will include scenarios for retirement of 15 years and 20 years before the currently-expected retirement date.

d. AEP Ohio or an independent third party will identify by June 1, 2021 specific transmission upgrades and/or non-transmission alternatives that would completely alleviate any identified reliability concerns. AEP Ohio must analyze non-transmission solutions to any reliability problems projected to result from retirement of each unit, including energy efficiency, demand response, and distributed generation resources.

e. AEP Ohio will have an independent third party perform an analysis about how to bring or encourage companies to establish renewable energy companies with headquarters and manufacturing plants in Ohio and how to transition the current power plant workforce to such job opportunities. AEP Ohio will file this in the 2018 annual update filing.

f. AEP Ohio will publish figures for its current and historic property tax payments to municipalities or local government entities that host the co-owned units, and will conduct a study analyzing how that revenue might be replaced post-retirement.

g. AEP Ohio will publish its current and historic employment figures at the co-owned units, and will conduct a study analyzing the expected impact to employment from retirement of the co-owned units, and how those jobs might be replaced or relocated.

h. AEP Ohio and its affiliates commit to continue to pursue transfer or sale of its contractual entitlement at OVEC and other jointly owned PPA units. AEP Ohio and its affiliates will periodically file a status report with the PUCO on these transfers or sales. Nothing in this Stipulation limits the right of AEP Ohio or its affiliates to sell any PPA Unit, provided that any such sale would be made subject to the commitments made in this Stipulation by AEP Ohio and its affiliates and in the bilateral agreement between AEPG and Sierra Club executed on December 14, 2015.

i. AEP Ohio will use best efforts to develop a plan with joint owners to retire, repower or refuel these jointly-owned PPA Units, which will be filed in the Generation Transition docket no later than June 1, 2024. This plan will incorporate scenarios listed above for potential early retirement (5 years and 10 years and, as applicable, 15 years and 20 years). If the co-owners are not willing to commit to early retirement, repowering or refueling, AEP will use best efforts to consolidate ownership so that is can further explore potential early retirement scenarios.

j. Except as provided in Section III.A.6 (potential depreciation rate change), no costs to retire, refuel or repower the co-owned PPA Units shall be recovered through the PPA Rider. No transmission upgrade costs or non-transmission alternative costs associated with the commitments set forth in this section (Section III.D.13) shall be recovered through the PPA Rider. Signatory Parties retain the right to challenge any proposed transmission upgrades or non-transmission alternatives.

13. In Case No. 13-1939-EL-RDR, AEP Ohio will propose – through settlement efforts to commence within 90 days of adoption of the Stipulation and through a filing in that docket if settlement is not achieved after another 60 days – and use best efforts to pursue approvals for each of the following:

a. A proposal to deploy 160 circuits of Volt/Var Optimization (versus today's potential plan of 80 circuits if the gridSMART Stipulation is finalized and approved). Recovery of costs will be through the gridSMART Phase II Rider with no shared savings and no incentive ROE. More specifically, savings associated with Volt/Var Optimization will not be counted toward the calculation used to determine the level of shared savings under the current EE/PDR Plan or for purposes of triggering the shared savings mechanism but may be counted toward the Company's overall achievement of EE/PDR above and beyond the agreed upon savings benchmarks in Section III.D.16.

b. A provision to file a cost/benefit study for a full deployment of Volt/VAR Optimization equipment on all of its distribution circuits and substations, including Volt-Amp Reactive power and Conservation Voltage Reduction technology. The cost/benefit study shall be broken down by distribution circuit and substation, to determine the total amount of investment which would be cost-effective.

c. When AEP Ohio files the cost/benefit study, it will also include a proposal for seeking cost recovery of deployment of all cost-effective Volt/VAR technology. AEP Ohio agrees not to seek any additional incentive for installing the equipment or shared savings for any resulting energy savings. If the filing is approved, the Company agrees to deploy the equipment in a timely manner.

d. AEP Ohio shall keep the equipment operational during the useful life of the equipment and shall file annual reports with the Commission stating the amount of energy reductions, peak demand reduction, and monetary savings and greenhouse gas emission reductions resulting from this equipment.

e. AEP Ohio and Staff agree that they will support Sierra Club's full intervention in Case No. 13-1939-EL-RDR, if the Commission adopts this Stipulation without material modification.

f. AEP Ohio will use its best efforts to seek approval for the energy and peak demand reductions to be used as a compliance tool under the Clean Power Plan.

14. AEP Ohio agrees, within 90 days of a Commission order adopting this Stipulation, to form a working group in conjunction with Staff and other interested parties, to

discuss a pilot program for future descending clock default supply auctions where, after the auction is completed but before the market-clearing price is announced, EE providers would be able to competitively bid to supply EE projects.

15. AEP Ohio agrees to develop and submit for Commission approval a 2017-2019 EE/PDR Plan designed to achieve an energy savings goal of 1.33% annually and a demand reduction goal of 0.75% annually of baseline energy and demand, respectively, by the end of the Plan period. As part of that filing, AEP Ohio agrees to continue its current practice of bidding eligible peak demand reduction achievements into PJM capacity auctions for the 2017-2019 EE/PDR Plan with any capacity revenues shared consistent with existing Commission policy (80% to customers and 20% retained by the Company). These commitments regarding the 2017-2019 EE/PDR Plan filing are contingent upon approval of the 2017-2019 AEP Ohio EE/PDR Plan, including funding and any other necessary mechanism to ensure the continued recovery of net lost distribution revenues. Sierra Club agrees to support the approval of budgets necessary to reach these goals and components of the EE/PDR rider, including shared savings at current approved levels. Nothing in this paragraph affects a customer's opt-out right under R.C. 4928.6612, as that provision was enacted in 2014 by Senate Bill 310.

E. Carbon Emission Reduction Plan

By December 31, 2016, AEP Ohio will file a carbon emission reduction plan indicating how the Company and its affiliates intend to promote fuel diversification and carbon emission reduction, including an analysis of the economic impact of any proposals for the Commission's consideration. AEP Ohio will incorporate AEP Corporation's (AEP) activities and plans relating to carbon reduction into the filed carbon emission reduction plan. For example, AEP's goals for transforming its generation fleet (while maintaining 6% nuclear generation) include: (1) reducing reliance on coal/lignite generation from 74% in 2005 to 48% by 2026; (2) increasing natural gas generation from 17% in 2005 to 25% by 2026; (3) increasing hydro/wind/solar/pumped storage from 3% in 2005 to 15% in 2026; and (4) increasing energy efficiency/demand response from less than 1% in 2005 to 6% in 2026. Reliance on resources with higher carbon emissions may be replaced with renewable resources, energy efficiency, and other advanced technologies, including batteries.

F. Fuel Diversification

AEP Ohio will implement programs to promote fuel diversity and carbon emission reductions to address potential environmental regulations in the future, including an analysis of the economic impact of any proposals for the Commission's consideration. AEP Ohio will explore programs including the conversion of fuel sources at the PPA Units, Energy Efficiency plans, the closure of PPA Units, and the siting of renewable energy generation. Any programs implemented by AEP Ohio will be subject to the assurance of recovery for prudently incurred costs.

G. Grid Modernization

AEP Ohio will explore avenues to empower consumers through grid modernization initiatives that promote customer choice in Ohio. As part of its June 1, 2016 grid modernization business plan, AEP Ohio will highlight future initiatives, including but not limited to the following options:

i. Installing advanced metering infrastructure.

ii. Investing in Distribution Automation Circuit Reconfiguration.

iii. Pursuing Volt-VAR optimization.

iv. Removing obstacles for distributed generation.

v. Consulting with staff on net-metering tariffs.

AEP Ohio's June 1, 2016 plan will include but not be limited to data sharing provisions, subject to customer consent, and full smart grid/meter deployment timelines. AEP Ohio will work with the Signatory Parties prior to filing the plan.

H. Battery Technology

Contingent on battery resources being eligible for inclusion in rate base in conjunction with the provision of distribution services, AEP Ohio will include such battery resources in future filings before the Commission.

I. Environmental and Renewable Energy Projects

1. AEP Ohio and its affiliates will develop a total of at least 500 MW nameplate capacity of wind energy projects in Ohio as follows:
    a. The individual projects will be proposed over the course of the next four years, following adoption of the Stipulation.
    b. The Company will file EL-RDR applications under the PPA Rider to initiate approval for retail cost recovery associated with each project. AEP Ohio agrees to use its best efforts to seek Commission approval for these filings.
    c. AEP affiliates will have the right, based on commercially reasonable terms, to initially own up to 50% of such projects on an aggregate net basis based on installed capacity. Ownership details will be established for each project individually. Such projects will be competitively bid. AEP will consult with the Staff regarding the process by which projects are selected for advancement. The RFP process will be commenced within 45 days of a Commission order adopting the Stipulation. Subject to timely regulatory

approvals, the projects will commence construction by the deadline for eligibility of benefits available under the Clean Power Plan. The projects are not contingent on the Clean Power Plan taking effect.

d. AEP Ohio will be the buyer of a long-term PPA (*i.e.*, 10 years or longer) for each project, including all capacity, energy, ancillaries and renewable energy credits produced by the project. Capacity, energy and ancillary services for all projects will be liquidated into the PJM markets with resulting revenues being credited to retail customers. Renewable energy credits not reserved for compliance will be liquidated into the markets with resulting revenues being credited to retail customers.

e. The commitment is premised upon AEP Ohio receiving full cost recovery (based on a PPA structure) through the PPA Rider with details (except for the rate design provided for below) to be determined as part of the separate EL-RDR filing.[13] In reviewing such applications, the Commission will consider among other relevant matters the economics and proposed PPA price associated with each project, as compared to other available market prices for such projects.

f. The wind energy projects will be completed by 2021 subject to timely regulatory approvals.

2. AEP Ohio will develop a total of at least a 400 MW nameplate capacity for a solar energy project(s) in Ohio, subject to Commission approval and cost recovery (based

[13] Except as explicitly indicated, nothing in this section shall be interpreted to limit the rights of Signatory Parties to fully participate or take positions (for or against) in EL-RDR proceedings relating to the terms of any individual project.

on a PPA structure) through the PPA Rider with details (except for the rate design provided for below) to be determined as part of the separate EL-RDR filing. The same approach and parameters described above in Section III.I.1a through III.I.1.e of this Stipulation will apply to the solar project(s). In lieu of Section III.I.1.f that is applicable to the wind energy projects, AEP Ohio and its affiliates will commit to use best efforts to complete the solar energy projects by 2021. In addition, preference will be given to solar projects sited in Appalachian Ohio, that create permanent manufacturing jobs in Appalachian Ohio, and that commit to hiring Ohio military veterans.

3. The rate design to be used for recovery of any net costs or flow through of any net credits associated with both the wind and solar renewable energy projects described above in Section III.I.1 and 2 shall be a uniform per kWh charge for all monthly consumption up to 833,000 kWh per customer account. This rate design shall apply for the life of the projects.
4. MAREC and its members will support Commission approval of, and full cost recovery for, the wind projects described herein. AEP Ohio and MAREC will collaborate on siting policy advocacy and on advocacy for a reasonable renewable portfolio standard post-SB 310 freeze. AEP Ohio agrees to advocate for a reasonable energy efficiency portfolio standard post-SB 310 freeze.

J. Transition Provision

1. Termination and Transition of ESP Plan under R.C. 4928.143(E): The Signatory Parties agree that the following ordering transition must occur under the fourth-year test required by R.C. 4928.143(E):

a. Termination shall only be ordered following: (i) the Commission's test of the plan which shall include consideration of the prospective quantitative and qualitative effects of the remaining term, including the impact of termination on the financial health of the Company, and (ii) a finding that the results of the test conclude that the remaining term of the ESP is no longer more favorable than an MRO and a finding that the remaining term of the ESP is substantially likely to result in significantly excessive earnings for the Company.

b. Termination shall not affect the continued cost recovery under the PPA Rider or the DIR.

c. Any additional credits funded by AEP Ohio under Section III.A.3 of this Stipulation shall be reflected in the Company's earnings for purposes of the Significantly Excessive Earnings Test and the MRO Test under R.C. 4928.143.

K. The Three-Part Test for Commission Approval

The Signatory Parties agree[14] that the Stipulation satisfies the three-part test traditionally used by the Commission to consider stipulations. Specifically, the Signatory Parties agree that:

(a) the Stipulation is a product of serious bargaining among capable, knowledgeable parties representing diverse interests;

(b) the stipulation does not violate any important regulatory principle or practice; and

(c) the stipulation, as a whole, benefits customers and the public interest.

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[14] The Sierra Club, Direct Energy, and IGS agree not to oppose this provision.

L. **MRO Test Results**

The Signatory Parties agree that the Stipulation preserves and advances the positive results of the MRO v. ESP test under R.C. 4928.143(C) as found in the *ESP III Order*.[15]

IV. **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 Joint Stipulation no later than February 10, 2016, in order to capture some of the anticipated financial benefits relating to typically colder months with higher energy prices in early 2016.

B. The Company will file testimony in support of the Stipulation pursuant to the procedural schedule established by the Commission.

C. Except for enforcement purposes or to establish that the terms of the Stipulation are lawful, neither this Stipulation nor the information and data contained herein or attached hereto shall be cited as a precedent in any future proceeding for or against any Signatory Party, if the Commission approves the Stipulation. Nor shall the acceptance of any provision within this settlement agreement be cited by any party or the Commission in any forum so as to imply or state that any signatory party agrees with any specific provision of the settlement. More specifically, no specific element or item contained in or supporting this Stipulation shall be construed or applied to attribute the results set forth in this Stipulation as the results that any Signatory Party might support or seek, but for this Stipulation in these proceedings or in any other proceeding. This Stipulation contains a combination of outcomes that reflects an overall compromise involving a balance of competing positions, and it does not necessarily reflect the

[15] Sierra Club is not participating in this provision but agrees not to oppose it.

position that one or more of the Signatory Parties would have taken on any individual issue. Rather the Stipulation 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 Stipulation, taken as a whole, represents a reasonable compromise of varying interests.

D. Severability: If a court of competent jurisdiction invalidates the application of the PPA Rider proposal in whole or in part, the Company will permit any part of the Joint Stipulation that has not been invalidated to continue while a good faith effort is made by the Signatory Parties to restore the invalidated provision to its equivalent value. The Signatory Parties agree to work in good faith, on an expedited basis not to exceed 60 days, to cure any court-determined deficiency. The Company will then file (or jointly file with Signatory Parties) the modification to the PPA Rider, or its successor provision, for expedited approval by the Commission, which approval shall not be withheld if the modified PPA Rider, or its successor provision, provides a reasonable remedy to cure the deficiency. The Company's agreement to permit the stipulated provisions to go into effect in this manner is contingent upon the Signatory Parties supporting the modified PPA Rider, or its successor provision. A Signatory Party may choose to oppose and express any concerns with the modified PPA Rider, or its successor provision, to the Commission; however, if such concerns are not accepted by the Commission, then any Signatory Party that opposed the modified PPA Rider, or its successor provision, will forfeit its stipulated provision(s). This commitment on severability is not intended and shall not be construed to affect the prohibition against retroactive ratemaking. No amounts collected shall be refunded as a result of this severability provision.

E. The Signatory Parties will support the Stipulation if the Stipulation is contested,[16] and no Signatory Party will oppose an application for rehearing designed to defend the terms of this Stipulation.

F. The Stipulation and AEP Ohio's ongoing commitments under the Stipulation presume and are conditioned on an outcome of the rehearing issues pending in Case Nos. 13-2385-EL-SSO *et al.* and any appeals that affirm the continued existence of the PPA Rider and which facilitate the application to extend the *ESP III* term consistent with the terms of this Stipulation.

G. This Stipulation is conditioned upon adoption of the Stipulation by the Commission in its entirety and without material modification. If the Commission rejects or materially modifies all or any part of this Stipulation, 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 Stipulation. If the Commission does not adopt the Stipulation without material modification upon any rehearing ruling, then within thirty days of such Commission rehearing ruling any Signatory Party may terminate and withdraw from the Stipulation by filing a notice with the Commission. If the Commission does not act upon the application(s) for rehearing in support of the Stipulation as filed within forty-five days of the filing of the application(s) for rehearing, then any Signatory Party may terminate its Signatory Party status by filing a notice with the Commission its withdrawal from the Joint Stipulation.

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[16] Sierra Club, Direct Energy, and IGS are not obligated to support the Stipulation.

H. 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 Stipulation 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 Stipulation.[17] The Signatory Parties also agree to urge the Commission to accept and approve the terms hereof as promptly as possible.[18]

I. As set forth in Section III.C of this Stipulation, AEP Ohio agrees to file a separate Application with the Commission seeking to extend its current ESP to May 31, 2024. AEP Ohio further agrees to include in that Application, among other appropriate proposals to be developed, certain provisions and features specified in Section III.C of this Stipulation. If the Commission denies AEP Ohio's request to include in its extended ESP any of the provisions and features specified in Section III.C, any adversely affected Signatory Party agrees to work in good faith with the Company to develop new provisions to restore or replace the invalidated provision to its equivalent value and jointly request approval of any new agreed-to provisions by the Commission. If such Signatory Parties are unable to reach agreement, each of those Signatory Parties may petition the Commission for appropriate relief limited to the equivalent value of the specific provision that is not included in the Company's extended ESP.

J. The Parties agree that specific performance is an appropriate remedy for enforcement of this Stipulation. The Signatory Parties acknowledge and agree that specific performance is the only appropriate remedy for any breach of this Stipulation, and under no circumstances shall

[17] Whether or not Sierra Club exercises its right to terminate its Signatory Party status or withdraw as described above, Sierra Club and its counsel are not obligated to support the reasonableness of this Stipulation before the Commission. Sierra Club and its counsel agree not to oppose the Stipulation before the Commission.

[18] The Sierra Club agrees not to oppose this provision.

monetary damages be allowed for any breach of this Stipulation. In the event any action should be necessary to enforce the terms and conditions of this Stipulation, each party shall bear their own attorneys' fees and costs, including the fees and costs of enforcing any judgment. Signatory Parties shall receive written notice within 30 days of any alleged breach of this Stipulation or its discovery. Upon receipt of any written notice of breach, the Signatory Party has 30 days to cure the alleged breach. If after 30 days the alleged breach has not been cured to the satisfaction of the Signatory Party alleging the breach, the Signatory Party alleging a breach of the Stipulation may seek specific performance at the Commission, consistent with this paragraph.

IN WITNESS WHEREOF, this Stipulation and Recommendation has been signed by the authorized agents of the undersigned Signatory Parties as of this 14th day of December 2015.

William L. Wright, Section Chief
Werner L. Margard III
Steven Beeler
On Behalf of the Staff of the Public Utilities Commission of Ohio

Steven T. Nourse
Matthew J. Satterwhite
Matthew S. McKenzie
On Behalf of Ohio Power Company

Michael L. Kurtz
Kurt J. Boehm
Jody Kyler Cohn
On Behalf of the Ohio Energy Group[19]

Thomas J. O'Brien
Richard Sites
On Behalf of the Ohio Hospital Association

[19] OEG's signature and consent to this Stipulation is contingent upon subsequent client approval. As soon as reasonably practicable, OEG will file a letter in this proceeding indicating whether client approval was received.

Raymond D. Seiler
On Behalf of Mid-Atlantic Renewable Energy Coalition

Jennifer L. Spinosi
On Behalf of Direct Energy

David Rinebolt /by STN per authority

David Rinebolt
On Behalf of Ohio Partners for Affordable Energy

Mark Hayden | by STN per authority

Mark A. Hayden[20]
Scott J. Casto
On Behalf of FirstEnergy Solutions Corp.

Kurt P. Helfrich
Scott Campbell
Stephanie M. Chimel
On Behalf of Buckeye Power, Inc.

Joseph Oliker
On Behalf of Interstate Gas Supply, Inc.

Tony Mendoza /by STN per authority

Tony Mendoza
On Behalf of Sierra Club

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[20] FirstEnergy Solutions Corp. (FES) has intervened in this proceeding to support the legal and policy determination supporting a Commission-approved PPA Rider. FES takes no position with respect to any other issue being settled or litigated in this proceeding.

ATTACHMENT A

Summary of Revised Affiliated PPA

The Revised Affiliated PPA will use Sierra Club Exhibit 2 as the starting point, but include the following changes prior to execution:

1. The Delivery Period will begin when AEP Ohio voluntarily signs the Revised Affiliate PPA (anticipate immediately upon Stipulation approval) and extend through May 31, 2024.

2. The ROE ("Return on Equity" as referenced in the Affiliated PPA) will not be variable, but will be fixed for the Delivery Period at 10.38%, with Seller's Debt Percentage and Seller's Equity Percentage both to remain at 50%.

3. Article V will be updated to replace the exit fee based on net book value plus closing/retirement costs with a reduced liquidated damages provision for the early termination of the Agreement under Section 2.3, that being an annual payment equal to the most recent 12 months of actual fixed costs (*i.e.*, the payments made under Article V less Section 5.2 Fuel Payments) for the shorter of i) three years, or ii) the remainder of the Delivery Period, minus the amount of Seller's forecasted net revenues for Capacity (based on cleared BRA prices) during such shorter period. Section 2.3 will also be modified to clarify that upon discontinuation of retail cost recovery by the Commission, Buyer may exercise right to terminate PPA under Section 2.3. Finally in this regard, Section 2.4 will be removed from the Revised Affiliate PPA.

4. Provisions in PPA Article XIII will be updated consistent with the Stipulation.

5. The 2014 date references, Table of Contents, Schedule A will be updated and any other administrative changes needed to presently execute the contract will be made.