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AEP

PUCO Approves AEP GridSMART Phase 3 Settlement (Case No. 19-1475-EL-RDR)

Summary: On Dec. 1, the PUCO approved a nearly unanimous settlement joined by AEP, PUCO staff, OMAEG, and several other parties to resolve AEP's GridSMART Phase 3 case. Commissioner Conway stated that "[t]he Commission's approval today will provide a constructive blueprint for the next phase of grid modernization of AEP Ohio's distribution system."

The settlement limits potential charges to customers at approximately $302 million and requires the PUCO to perform annual financial audits to ensure that operational savings related to gridSMART upgrades are credited to the overall program costs. AEP also originally proposed building a fiber network that would have placed all the risk on customers and reserved all the profits for AEP. As part of the settlement, AEP removed the fiber optic proposal.

AEP also committed to providing the OMAEG and other parties with access to distribution circuit capacity data; conducting a study to improve customers' understanding of how their behavior affects peak electrical load and electricity costs; and determining the level of customers' interest in a coincident peak load management program for distribution service.

OMAEG to Submit Reply Comments in OVEC Subsidy Audit (Case Nos. 18-1004, et al.)

Summary: Today, Dec. 2, the OMAEG will file reply comments in an audit of AEP's Power Purchase Agreement Rider (Rider PPA), a mechanism that subsidizes the two 1950s Ohio Valley Electric Corporation (OVEC) coal plants. The OMAEG's comments advocate that the PUCO should restore the auditor's original conclusion that continuing to operate the OVEC plants is not in customers' best interest, which was removed from the draft audit report at the direction of a PUCO staff member.

The comments also urge the PUCO to prevent AEP from recovering any OVEC costs resulting from OVEC's poor business decisions and AEP's failure, as a co-owner of OVEC, to exercise proper oversight responsibilities.

FirstEnergy

PUCO Approves Unanimous Settlement Reached in FirstEnergy SEET and DSE Cases, Resulting in $306M Refund to Customers
(Case Nos. 19-1338-EL-UNC, et al.)

Summary: On Dec. 1, the PUCO approved a unanimous settlement joined by FirstEnergy, PUCO staff, OMAEG, and several other parties to resolve ten cases concerning FirstEnergy's Significantly Excessive Earnings Test (SEET) and Demand Side Management and Energy Efficiency Rider (Rider DSE).

Under the settlement, customers will receive a total of $306 million in refunds and credits over the next four years. After final approval, $96 million will be refunded to customers within six months. Non-residential customers will be allocated $45.3 million of the $96 million in refunds, which will be credited on a 0.2578¢ per MWh basis over six months.

In addition, $210 million in future rate reductions will be provided to customers over the period of 2022-2025. For 2022, customers will receive $80 million in rate reductions, effective within 30 days of a final PUCO order approving the settlement. Customers will receive $60 million in 2023, $45 million in 2024, and $25 million in 2025, effective Jan. 1 of each calendar year. Under the settlement, non-residential customers are allocated 47.1% of the $210 million rate reductions, which will be provided on a per MWh basis.

Finally, the settlement requires FirstEnergy to continue its Fourth Electric Security Plan (ESP IV) through its authorized term of May 31, 2024. It also prevents FirstEnergy from seeking to recover lost distribution revenue through May 31, 2024. The settlement did not modify FirstEnergy's ESP IV requirement to file a distribution rate case by May 31, 2024.

Upon the settlement's approval, PUCO Chair Jenifer French said she was "pleased to see that the Commission has approved refunds and rate reductions for FirstEnergy Ohio utility customers" and "[t]oday we resolve years of efforts by numerous stakeholders … and thank them for coming together to craft this sensible resolution."