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February 27, 2018

Docketing Division
Public Utilities Commission of Ohio
180 East Broad Street
Columbus OH 43215

RE: *In the Matter of the Review of the Auction Cost Reconciliation Rider contained in the
Tariffs of American Electric Power Company, Case No. 15-1052-EL-RDR*

Dear Docketing Division:

Enclosed please find the Staff's Review and Recommendations in regard to the annual review of American Electric Power Company Auction Cost Reconciliation Rider, Case No. 15-1052-EL-RDR.

Tamara S. Turkenton
Director, Rates and Analysis Dept.
Public Utilities Commission of Ohio

David Lipthrott
Chief, Research and Policy Division
Public Utilities Commission of Ohio

Enclosure

Cc: Parties of Record

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FILE

Ohio Power Company
Case No. 15-1052-EL-RDR (ACRR)

Background

On February 25, 2015, in Case No. 13-2385-EL-SSO, the Commission issued its Opinion and Order establishing the Ohio Power Company's (AEP) generation energy rider (GENE), the generation capacity rider (GENC) and the auction cost reconciliation rider (ACRR). The Commission also eliminated the following base generation recovery mechanisms: auction phase-in rider (APIR), the fixed cost rider (FCR), and the fuel adjustment clause (FAC). The ACRR went into effect in June of 2015. AEP updates the ACRR on a quarterly basis in Case No. 15-1052-EL-RDR, and the rider is subject to reconciliation and an annual audit by Staff.

The Commission authorized AEP to recover only its prudently incurred competitive bidding process (CBP) related costs through the ACRR. CBP-related costs include incremental auction costs, comprising of costs associated with administering and implementing the CBP and consultant fees. The ACRR also recovers the difference between amounts paid to suppliers for the delivery of standard service offer (SSO) supply as a result of the CBP auctions and amounts billed to SSO customers through GENE and GENC riders.

Staff Review

In the first annual audit of the ACRR, Staff reviewed the period from June of 2015 through July of 2016. Specifically, Staff reviewed supplier charges, consultant fees, revenues collected under the riders, as well as the Company's calculation of the gross-up revenue conversion factor.

Staff notes that AEP included revenues and charges in the ACRR related to the APIR, FCR, and FAC. These are revenues and costs that would have been included in those recover mechanisms but were recorded in June of 2015 or later. The charges include \$131,981.98 for audit services rendered in Case No.13-1892-EL-FAC and load reconciliation settlement charges for service provided in March, April, and May 2015. These are prudently incurred costs and appropriate for recovery through a bypassable rider. Because the CBP replaced these base generation recovery mechanisms, Staff recommends that the Commission allow a one-time recovery of these charges through the ACRR. However, in the future, if AEP seeks to recover charges that are neither amounts paid to auction winners for delivery of SSO supply nor incremental auction costs, then Staff recommends that AEP clearly identify and differentiate the charges in the ACRR filings' schedule.

AEP applies a 100.435% gross up factor to the ACRR, GENE and GENC. In Case No. 13-2385-EL-RDR, AEP requested a gross-up factor of 100.435% to include a commercial activities tax of 0.26%, PUCO assessment fee of 0.14% and OCC assessment fee of 0.033%. Staff witness

McCarter testified: “Staff believes that the inclusion of a revenue increase for assessments related to the PUCO and OCC is inappropriate... This adjustment should be made to any riders where AEP has included the PUCO and OCC assessment factors.” The Commission found that “AEP’s SSO pricing proposal, including establishment of the GENE and GENC riders and the ACRR, which was generally unopposed, is reasonable and should be approved, *subject to Staff’s recommendations.*” Opinion and Order at page 34 (emphasis added). Furthermore, in the Joint Stipulation and Recommendation filed in Case No. 16-1852-EL-SSO, AEP agreed to remove PUCO and OCC assessment fees from the GENE, GENC, and ACRR riders. Staff recommends that the Commission direct AEP to return to customers the PUCO and OCC assessment fees collected through the gross-up factor.

Staff also notes that AEP included Spot Market Energy charges of \$670,361.27 associated with wind projects in Account 5550001. These charges are not CBP-related; therefore, Staff recommends that they be adjusted out of the ACRR.

Conclusion

Staff recommends to the Commission that it direct AEP to credit to customers any PUCO and OCC assessment fees collected through the GENE, GENC, and ACRR gross-up factor. Staff also recommends that AEP remove any non CBP-related charges to the ACRR related to wind projects. Going forward, Staff requests that the Commission direct AEP to open a new docket number for each annual audit. This would contain four quarterly tariff updates, a consolidated annual filing consisting of detailed schedules, workpapers identifying all charges which would support AEP’s quarterly tariff updates, and be used to initiate Staff’s annual audit.