

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

<b>In the Matter of the Application</b>	)	
<b>of Ohio Power Company to Update its</b>	)	<b>Case No. 13-1406-EL-RDR</b>
<b>Transmission Cost Recovery Rider</b>	)	

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**OHIO POWER COMPANY’S COMMENTS ON  
STAFF’S REVIEW AND RECOMMENDATIONS**

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**I. INTRODUCTION**

On June 17, 2013, Ohio Power Company (“AEP Ohio” or the “Company”) filed its annual application to update its Transmission Cost Recovery Rider (“TCRR”) pursuant to Rule 4901:1-36-03(B), Ohio Administrative Code (“Application”). On July 29, 2013, Industrial Energy Users-Ohio (“IEU”) and The Office of the Ohio Consumers’ Counsel (“OCC”) filed comments on the Company’s Application. On August 13, 2013, AEP Ohio filed comments in response to the comments filed by IEU and OCC (“AEP Ohio’s Reply Comments”). Also on August 13, 2013, the Staff of the Public Utilities Commission of Ohio (“Commission”) filed its Review and Recommendations on the Company’s Application (“Staff’s Recommendations”). AEP Ohio hereby submits these comments in response to the Staff’s Recommendations.

For the reasons set forth in AEP Ohio’s Reply Comments and as discussed below, Staff’s Recommendations should be rejected entirely and the Company should be permitted to recover all transmission-related costs it incurred together with past and future carrying charges associated with the under-recovered costs.

## II. AEP OHIO’S COMMENTS IN RESPONSE TO STAFF’S RECOMMENDATIONS

Reactive supply charges are transmission-related costs incurred by the Company that are appropriate for recovery through the TCRR. Both Ohio law and the Commission’s rules authorize AEP Ohio to recover all transmission-related costs incurred by the Company. Revised Code section 4928.05(A)(2) provides:

“[C]ommission authority under this chapter shall include the authority to provide for the recovery, through a reconcilable rider on an electric distribution utility's distribution rates, of **all** transmission and transmission-related costs, including ancillary and congestion costs, imposed on or charged to the utility by the federal energy regulatory commission or a regional transmission organization, independent transmission operator, or similar organization approved by the federal energy regulatory commission.”

(Emphasis added). Similarly, Rule 4901:1-36-02(A), Ohio Admin. Code, states:

“This chapter authorizes an electric utility to recover, through a reconcilable rider on the electric utility's distribution rates, **all** transmission and transmission-related costs, including ancillary and congestion costs, imposed on or charged to the utility, net of financial transmission rights and other transmission-related revenues credited to the electric utility, by the federal energy regulatory commission or a regional transmission organization, independent transmission operator, or similar organization approved by the federal energy regulatory commission.”

(Emphasis added). Reactive supply charges are ancillary, transmission-related costs charged to the Company by PJM Interconnection L.L.C. (“PJM”), a FERC-approved regional transmission organization. The use of the word “all” in both Revised Code section 4928.05(A)(2) and Rule 4901:1-36-02(A), Ohio Admin. Code, reflects a clear intent by the General Assembly and the Commission to ensure complete recovery of the transmission-related costs the Company incurs

in providing electric service to customers in Ohio. Anything less than full recovery of the Company's incurred costs would be contrary to Ohio law and the Commission's rules.

Anything less than full recovery of the Company's incurred costs would also be contrary to the Commission's orders authorizing the TCRR. Since its inception the Company's TCRR was to include an annual true-up process and authorization for the Company to implement over- and under-recovery accounting for **“any differences between the revenues collected and the actual costs recorded.”**<sup>1</sup> AEP Ohio's current TCRR, as approved by the Commission in the Company's *ESP I* proceeding and again as part of the Company's *ESP II* proceeding, continues the annual true-up process and authorization for the Company to implement over- and under-recovery accounting for any differences between the revenues collected and the actual costs recorded.<sup>2</sup>

Staff's Recommendations place limits on the Company's recovery of transmission-related costs that are contrary to Ohio law, the Commission's rules, and the Commission's orders. Staff

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<sup>1</sup> See, *In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company to Adjust the Transmission Component of the Companies' Standard Service Tariffs to Reflect the Applicable FERC-Approved Charges or Rates Related to Open Access Transmission, Net Congestion and Ancillary Services*, Case No. 05-1194-EL-UNC, Finding and Order at ¶2 (December 14, 2005) (Emphasis added).

<sup>2</sup> See, *In the Matter of the Application of Columbus Southern Power Company for Approval of an Electric Security Plan; an Amendment to its Corporate Separation Plan; and the Sale or Transfer of Certain Generating Assets*, Case No. 08-917-EL-SSO, *et al.*, Opinion and Order at 49-50 (March 18, 2009) (“as contemplated by our prior order in the TCRR Case, any overrecovery of transmission loss-related costs, which has occurred due to the timing of our approval of the Companies' ESP and proposed FAC, shall be reconciled in the over/underrecovery process in the Companies' next TCRR rider update filing.”); *In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Authority to Establish a Standard Service Offer*, Case No. 11-346-EL-SSO, *et al.*, Opinion and Order at 63-64 (August 8, 2012) (“The Commission notes that the current TCRR process has been in place since 2009, and operates appropriately. As structured, with the TCRR mechanism any over- or underrecovery is accounted for in the next semi-annual review of the TCRR mechanism.”).

recommends that approximately half of the \$23 million reactive supply charges incurred by the Company should be denied simply because they were incurred during a “period previously audited.” (Staff’s Recommendations at 2). However, neither Revised Code section 4928.05(A)(2), Rule 4901:1-36-02(A), Ohio Admin. Code, nor the Commission’s orders authorizing the Company’s TCRR limit the Company’s recovery of incurred costs to only those costs incurred during the current audit period, as Staff suggests. Moreover, during its audit of the Application in this case, Staff reviewed the \$23 million in reactive supply charges and did not find that they were improperly incurred. As discussed in AEP Ohio’s Reply Comments, the possibility that costs incurred during prior periods are recovered during future recovery periods is inherent in the TCRR’s reconciliation mechanism, which is necessary to ensure recovery of no less (and no more) than **all** transmission-related costs incurred by the Company. Pursuant to Revised Code section 4928.05(A)(2) and Rule 4901:1-36-02(A), Ohio Admin. Code, and consistent with the Commission’s prior orders on the Company’s TCRR, the Commission should authorize AEP Ohio to recover all \$23 million in reactive supply charges incurred by the Company.

Likewise, the Commission should authorize AEP Ohio to recover carrying charges on the under-recovered reactive supply charges. As Staff recognizes, the clerical error omitting the reactive supply charges from an appropriate TCRR account caused an “under-recovery, which resulted in a current TCRR rate that was lower than it should have been.” (Staff’s Recommendations at 2). Rule 4901:1-36-04(A), Ohio Admin. Code, unequivocally provides for recovery of “carrying charges to be applied to both over- and under-recovery of costs.” Notwithstanding this rule, Staff seeks to penalize the Company for its clerical error by recommending that the Company be denied carrying charges on the under-recovered reactive

supply charges: “If these expenses had been recorded properly, these carrying costs would not have accumulated and customers should not have to pay for the Company's error.” (*Id.*) But as discussed in AEP Ohio’s Reply Comments, the Commission can and should correct the isolated clerical error in this proceeding. The Commission should authorize AEP Ohio to recover carrying charges on all under-recovered reactive supply charges as provided for by Rule 4901:1-36-04(A), Ohio Admin. Code.

### **III. CONCLUSION**

For the reasons set forth in the Application and AEP Ohio’s Reply Comments and as discussed above, AEP Ohio’s Application should be approved in its entirety.

Respectfully submitted,

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## **CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a true and correct copy of the foregoing has been served upon the below-named counsel via electronic mail, this 20<sup>th</sup> day of August, 2013.

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