

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of )  
Ohio Power Company to Update Its ) Case No. 12-2627-EL-RDR  
Distribution Investment Rider. )

FINDING AND ORDER

The Commission finds:

- (1) Ohio Power Company d/b/a AEP Ohio (AEP Ohio or the Company) is a public utility as defined in Section 4905.02, Revised Code, and, as such, is subject to the jurisdiction of this Commission.
- (2) By opinion and order issued on August 8, 2012, in Case No. 11-346-EL-SSO, et al., the Commission modified and approved AEP Ohio's application for an electric security plan (ESP), which included approval of a Distribution Investment Rider (DIR) to provide capital funding for distribution infrastructure to support customer demand and advanced technologies (ESP case).<sup>1</sup> As approved, the DIR is adjusted quarterly to reflect in-service net capital additions, excluding capital additions reflected in other riders, and reconciled for over and under recovery. The DIR is also subject to an annual review for accounting accuracy, prudence, and compliance with the DIR plan developed by Staff and AEP Ohio.
- (3) By finding and order issued on November 28, 2012, in the above-captioned case, the Commission determined that, with respect to AEP Ohio's future quarterly DIR filings, the proposed DIR rate shall be automatically approved 60 days after the application is filed, with the new rate to take effect on the proposed effective date, unless the 60-day period is suspended by the Commission.

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<sup>1</sup> *In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to Section 4928.143, Revised Code, in the Form of an Electric Security Plan, Case No. 11-346-EL-SSO, et al., Opinion and Order, at 42-47 (August 8, 2012).*

- (4) On September 30, 2013, AEP Ohio filed an application to update the DIR effective with the first billing cycle of December 2013. In its application, AEP Ohio states that the proposed DIR rate is based on the Federal Energy Regulatory Commission Form 3Q for the second quarter of 2013.
- (5) Additionally, AEP Ohio offers two proposals for the Commission's consideration. First, AEP Ohio notes that previous filings have reflected a credit of the incremental accumulated deferred income taxes (ADIT) at the total carrying charge rate of 20.59 percent authorized in the ESP case, which includes depreciation, property tax, and commercial activity tax. AEP Ohio further notes that ADIT is a component of rate base and, as such, should be subject only to the 10.99 percent return component of the carrying charge rate. AEP Ohio, therefore, proposes to calculate the incremental ADIT offset using only the return component in order to accurately reflect the benefits resulting from an ADIT rate base offset.
- (6) Second, AEP Ohio proposes to collect, on a one-time basis, the remaining balance of approximately \$1.7 million in the Company's Deferred Asset Recovery Rider (DARR). Noting that the DARR has been replaced by the Deferred Asset Phase-In Rider, AEP Ohio seeks authority to use the DIR as the mechanism to recover the final under-collection balance of the DARR. AEP Ohio asserts that its recommendation would result in no additional charges to customers and that customers would be billed the same under the DIR as they would have been under the DARR. AEP Ohio adds that, if the Commission does not approve its proposal prior to the end of the 60-day automatic approval period for the DIR, the Company will implement the proposed DIR rate, excluding the DARR balance, and file a separate application to address the remaining under-collection of the DARR.
- (7) No comments were filed in response to AEP Ohio's application.

- (8) The Commission finds that AEP Ohio's application to update the DIR is reasonable and should be approved. The proposed DIR rate does not appear to be unjust or unreasonable and, therefore, we find that it is unnecessary to hold a hearing in this matter. Accordingly, the new DIR rate should be implemented beginning with bills rendered for the first billing cycle of December 2013. Further, the Commission finds that AEP Ohio's proposals regarding calculation of the incremental ADIT offset and recovery of the remaining DARR balance through the DIR are reasonable and should be approved. Finally, notwithstanding the Commission's approval of AEP Ohio's proposed tariffs to establish a new DIR rate for the first billing cycle of December 2013, we note that the DIR remains subject to an annual audit and reconciliation.

It is, therefore,

ORDERED, That the proposed tariffs filed by AEP Ohio on September 30, 2013, be approved and become effective for bills rendered beginning with the first billing cycle of December 2013. It is, further,

ORDERED, That AEP Ohio be authorized to file, in final form, four complete copies of the tariffs, consistent with this finding and order. AEP Ohio shall file one copy in its TRF docket (or make such filing electronically as directed in Case No. 06-900-AU-WVR) and one copy in this case docket. The remaining two copies shall be designated for distribution to the Rates and Tariffs, Energy and Water Division of the Commission's Utilities Department. It is, further,


ORDERED, That AEP Ohio notify all customers of the changes to the tariffs via a bill message or bill insert within 45 days of the effective date of the tariffs. A copy of this customer notice shall be submitted to the Commission's Service Monitoring and Enforcement Department, Reliability and Service Analysis Division, at least 10 days prior to its distribution to customers. It is, further,

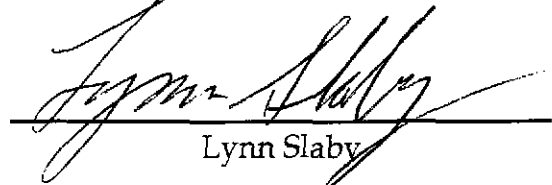
ORDERED, That nothing in this finding and order shall be binding upon this Commission in any future proceeding or investigation involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

ORDERED, That a copy of this finding and order be served upon all parties of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO

  
Todd A. Snitchler, Chairman

  
Steven D. Lesser

  
Lynn Slaby

  
M. Beth Trombold

  
Asim Z. Haque

SJP/sc

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**NOV 13 2013**

  
Barcy F. McNeal

Barcy F. McNeal  
Secretary