

**BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)	
Ohio Power Company to Adopt a)	Case No. 14-1186-EL-RDR
Final Implementation Plan for the)	
Retail Stability Rider)	

APPLICATION

As set forth in detail below, Ohio Power Company (AEP Ohio or the Company) submits this application to seek approval for continued implementation of the Retail Stability Rider (RSR), consistent with the Commission's final orders¹ in Case No. 10-2929-EL-UNC (*Capacity Charge* decision) and Case Nos. 11-346-EL-SSO et al. (*ESP II* decision).

1. In the *Capacity Charge* decision, the Commission found it both necessary and appropriate to establish a cost-based State Compensation Mechanism (SCM) for capacity. (*Capacity Charge*, Opinion and Order at 22-24.) But the Commission directed AEP Ohio to only charge competitive retail electric service (CRES) providers the adjusted final zonal PJM RPM rate in effect for the rest of the RTO region for the current delivery year, as that rate changes annually, starting on August 8, 2012 and lasting through May 31, 2015 (ESP II term). (*Id.*) Accordingly, the Commission authorized AEP Ohio to modify its accounting procedures, pursuant to R.C. 4905.13, to defer incurred capacity costs not recovered from CRES

¹ *Capacity Charge* final orders: July 2, 2012 Opinion and Order (*Capacity Charge*, Opinion and Order); October 17, 2012 Entry on Rehearing (*Capacity Charge*, First Entry on Rehearing); December 12, 2012 Entry on Rehearing (*Capacity Charge*, Second Entry on Rehearing); and January 30, 2013 Entry on Rehearing (*Capacity Charge*, Third Entry on Rehearing).
ESP II final orders: August 8, 2012 Opinion and Order (*ESP II*, Opinion and Order); January 30, 2013 Entry on Rehearing (*ESP II*, First Entry on Rehearing); and March 27, 2013 Entry on Rehearing (*ESP II*, Second Entry on Rehearing).

provider billings during the ESP term to the extent that the total incurred capacity costs do not exceed \$188.88/MW-day (capacity deferral). (*Id.* at 23, 33, 35.)

2. In the *Capacity Charge* decision, the Commission authorized AEP Ohio to collect carrying charges on the capacity deferral based on the Company's long-term cost of debt, starting on August 8, 2012 and applied until such time as the capacity deferrals are fully recovered by the Company.

(*Capacity Charge*, Opinion and Order at 23-24; First Entry on Rehearing at 43-44.)

3. In the *ESP II* decision, the Commission adopted the RSR and acknowledged that in doing so it "must address" recovery of the capacity deferral created in the *Capacity Charge* decision. (*ESP II*, Opinion and Order at 35.) Under the adopted RSR, customers would pay a \$3.50/MWh monthly charge until May 31, 2014, and \$4.00/MWh from June 1, 2014 to May 31, 2015, with AEP Ohio "allocat[ing] \$1.00 towards AEP-Ohio's deferral recovery, pursuant to the Capacity Case." (*ESP II*, Opinion and Order at 36.) The Commission indicated it would later determine the final deferral amount based on actual shopping statistics but also explicitly determined that any balance that remains at the conclusion of the Modified ESP shall be amortized over a three year period unless otherwise ordered by the Commission. (*Id.*) Finally in this regard, the Commission also made it clear that it was relying on its authority under R.C. 4928.144 to

include deferred recovery of the capacity deferrals that extend beyond the term of the ESP. (*Id.* at 52.)

4. In light of the foregoing, AEP Ohio proposes that the Commission adopt a final implementation plan providing for the continuation of a \$4.00/MWh RSR starting on June 1, 2015 and continuing until the deferral and carrying charges are fully recovered, subject to the following terms and conditions:

- a. Starting on June 1, 2015, 100% of the RSR revenue will be applied to the balance of the capacity deferrals and applicable carrying charges calculated at 5.34% annually;
- b. As reflected in Exhibit A, continuation of the \$4/MWh RSR starting on June 1, 2015 is likely to involve a total post-ESP collection period of approximately thirty-two months, which is comparable to the three-year collection period originally anticipated in the *ESP II* decision. The rider rate will need to be reduced during the final month of collection, in order to match collected revenues with the final balance.
- c. AEP Ohio shall provide quarterly updates to Staff of the current deferral balance starting after adoption of the final implementation plan and continuing until the capacity deferrals and carrying charges are fully collected.
- d. A financial audit shall be conducted of the final capacity deferral balance as of May 31, 2015, which shall confirm that the deferral

balance equals the capacity costs incurred not to exceed \$188.88/MW-day times the quantity of shopping capacity provided less the applicable RPM revenue received less the \$1/MWh of RSR revenue received towards AEP-Ohio's deferral recovery from August 8, 2012 through May 31, 2015 plus applicable carrying charges.

- e. Any differences between the financial auditor's findings and the capacity deferrals (including carrying charges) reflected on AEP Ohio's accounting books shall be identified and described in a report filed in this docket. Unless the Company agrees to accept any such differences identified by the financial auditor, the Commission shall establish a hearing process to adjudicate the recommended adjustment. If no such differences are identified by the financial auditor, the audit report shall confirm the Company's capacity deferral balance and no adjustments will be made.
- f. Beyond the audit process described in the preceding paragraphs, the only adjustment to be made to the capacity deferrals and carrying charge balance is to reconcile revenues collected through the RSR allocated at \$1.00 /MWh with the final deferral/carrying charge balance as confirmed by the financial audit process.

WHEREFORE, based on the reasons stated above, the Commission should expeditiously approve the Company's application and grant any other relief deemed appropriate to facilitate approval of the application.

Respectfully submitted,

//s// Steven T. Nourse

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EXHIBIT A
Capacity Deferral and Carrying Charge Balance

	Balance			Balance	
Month	Actual	Projected	Month	Actual	Projected
Aug 2012	\$ 11,663,510		Jul 2015		\$ 418,464,677
Sep 2012	\$ 21,594,730		Aug 2015		\$ 404,448,691
Oct 2012	\$ 35,228,441		Sep 2015		\$ 393,048,997
Nov 2012	\$ 49,855,177		Oct 2015		\$ 380,974,956
Dec 2012	\$ 65,815,566		Nov 2015		\$ 369,198,755
Jan 2013	\$ 82,335,627		Dec 2015		\$ 355,530,885
Feb 2013	\$ 97,773,073		Jan 2016		\$ 340,505,714
Mar 2013	\$ 116,006,301		Feb 2016		\$ 327,127,229
Apr 2013	\$ 133,831,859		Mar 2016		\$ 313,611,947
May 2013	\$ 153,051,754		Apr 2016		\$ 302,927,023
Jun 2013	\$ 170,935,026		May 2016		\$ 290,703,902
Jul 2013	\$ 189,319,277		Jun 2016		\$ 277,803,975
Aug 2013	\$ 208,704,250		Jul 2016		\$ 262,814,538
Sep 2013	\$ 227,873,925		Aug 2016		\$ 247,918,710
Oct 2013	\$ 248,069,872		Sep 2016		\$ 235,877,896
Nov 2013	\$ 267,861,570		Oct 2016		\$ 223,158,611
Dec 2013	\$ 288,060,392		Nov 2016		\$ 210,482,125
Jan 2014	\$ 308,641,812		Dec 2016		\$ 196,218,391
Feb 2014	\$ 327,468,776		Jan 2017		\$ 180,267,374
Mar 2014	\$ 348,448,061		Feb 2017		\$ 166,357,752
Apr 2014	\$ 370,014,469		Mar 2017		\$ 152,189,746
May 2014	\$ 392,258,351		Apr 2017		\$ 140,464,823
Jun 2014		\$ 396,337,671	May 2017		\$ 127,543,639
Jul 2014		\$ 400,095,034	Jun 2017		\$ 113,994,208
Aug 2014		\$ 404,107,297	Jul 2017		\$ 98,105,672
Sep 2014		\$ 408,613,585	Aug 2017		\$ 82,589,971
Oct 2014		\$ 413,446,366	Sep 2017		\$ 69,762,451
Nov 2014		\$ 418,086,611	Oct 2017		\$ 56,262,107
Dec 2014		\$ 422,438,041	Nov 2017		\$ 42,964,548
Jan 2015		\$ 426,557,219	Dec 2017		\$ 27,809,510
Feb 2015		\$ 430,469,178	Jan 2018		\$ 11,280,316
Mar 2015		\$ 435,015,786	Feb 2018		\$ -
Apr 2015		\$ 440,001,388	Mar 2018		\$ -
May 2015		\$ 444,933,602	Apr 2018		\$ -
Jun 2015		\$ 432,893,045	May 2018		\$ -

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