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October 6, 2014

Re: Case No. 13-1892-EL-FAC, et.al.

Mr. Hisham Choueiki
Public Utilities Commission of Ohio
Energy & Environment
180 East Broad Street
Columbus, OH 43215

Dear Mr. Choueiki:

Please find enclosed this final report on an investigation to determine whether Ohio Power Company is double-recovering capacity costs related to power purchased from affiliates Lawrenceburg Generating Station and Ohio Valley Electric Corporation.

Once you have reviewed the report we would like to set up a conference call with you to discuss it. Please let us know a time that would work for you for a discussion. In the meantime, please contact Amanda Neuman (608 240 2529/amanda.neuman@bakertilly.com) or me (608 240 2361/ russ.hissom@bakertilly.com) with any questions you may have regarding the report.

We appreciate the opportunity to serve you.

Sincerely,

BAKER TILLY VIRCHOW KRAUSE, LLP

Russell A Hissom

Russell A. Hissom, CPA, CIA, Partner

Enclosures

an independent member of
BAKER TILLY
INTERNATIONAL

PUBLIC UTILITIES COMMISSION OF OHIO

An Investigation to Determine Whether Ohio Power Company is Double-Recovering Capacity Costs Related to Power Purchased from Affiliates Lawrenceburg Generating Station and Ohio Valley Electric Corporation

Case No. 13-1892-EL-FAC, et.al.

October 6, 2014

PUBLIC UTILITIES COMMISSION OF OHIO

An Investigation to Determine Whether Ohio Power Company is Double-Recovering Capacity Costs Related to Power Purchased from Affiliates Lawrenceburg Generating Station and Ohio Valley Electric Corporation

Executive Summary

1.0 EXECUTIVE SUMMARY

1.1 Overview

On December 21, 2012, the Public Utilities Commission of Ohio (PUCO or Commission) opened Case No. 12-3254-EL-UNC to develop the parameters and details for the competitive bid process (CBP). During the proceeding, issues were raised that Ohio Power Company (OPCo, Ohio Power, or AEP-Ohio) was double recovering its capacity costs as it related to purchased power procured from Lawrenceburg and Ohio Valley Electric Corporation (OVEC). The crux of the argument was that the capacity portion of these purchases is recovered through both the Fuel Adjustment Clause (FAC) and through the state compensation mechanism (established in Case 10-2929-EL-UNC). In a Concurring Opinion to the Commission’s November 13, 2013 Opinion and Order in the CBP case, Commissioners Lesser and Trombold believed the issue required further investigation, and that the investigation should take place within the context of OP's next fuel audit. Subsequently, on December 4, 2013, in Case No. 11-5906-EL-FAC, et al. (FAC Audit Case), the Commission directed Energy Ventures Analysis, Inc. (EVA), among other duties, to investigate and report its findings on the double recovery of capacity costs issue.

Ohio Power filed an Application for Rehearing in the FAC Audit Case, arguing the FAC case was not the appropriate forum to investigate the issue, and positing that it was inappropriate for EVA, from a conflict of interest perspective, to perform the investigation inasmuch as EVA had testified on behalf of Staff in Case No. 10-2929-EL-UNC, where Ohio Power's state compensation mechanism was established. The Commission, on rehearing in the FAC Audit Case, found no merit in Ohio Power's arguments; nevertheless, the Commission determined, to avoid even the appearance of conflict of interest, that a different auditor be retained for purposes of investigating the double recovery issue. Baker Tilly was engaged to perform this work.

The review in this report includes the results of an investigation into the issues raised in Case No. 13-1892-EL-FAC and recommendations to the Commission a course of action based on the audit findings.

1.2 Objective

The project objective is to determine whether Ohio Power Company (d/b/a AEP-Ohio) is double-recovering capacity costs, as it relates to power purchased from Ohio Valley Electric Corporation (OVEC) and Lawrenceburg Generating Station (Lawrenceburg), AEP-Ohio’s affiliates, from both the Fuel Adjustment Clause (FAC) and through the state compensation mechanism (established in Case No. 10-2929-EL-UNC).

PUBLIC UTILITIES COMMISSION OF OHIO

An Investigation to Determine Whether Ohio Power Company is Double-Recovering Capacity Costs Related to Power Purchased from Affiliates Lawrenceburg Generating Station and Ohio Valley Electric Corporation

Executive Summary

1.3 Observations and Recommendations

A Summary of observations and recommendations based on Baker Tilly's review are below:

Report Section	Observation/Recommendation
3.1 State Compensation Mechanism for Recovery of Capacity Charges	The State Compensation Mechanism uses AEP-Ohio's revenue requirement to determine the capacity charge. The revenue requirement includes Lawrenceburg and OVEC charges as follows: > $122,856,804 of OVEC and Lawrenceburg demand charges for June 2012 through May 2013 (uses 2011 actuals) > $127,995,910 of OVEC and Lawrenceburg demand charges for June 2013 through May 2014 (uses 2012 actuals) > $140,311,280 of OVEC and Lawrenceburg demand charges for June 2014 through May 2015 (uses 2013 actuals) Although AEP-Ohio did not provide the actual amount of OVEC and Lawrenceburg demand charges that were included in the revenue requirement used to calculate the $188.88/MW-day cost cap, based on the charges above, it can be estimated that it was at least in the range of $120 million. AEP-Ohio is currently deferring the difference in incurred capacity charges (using $188.88/MW-day) and billed capacity (using RPM). Further, a portion of the nonbypassable Retail Stability Rider (RSR) [$1/MWh] is currently being allocated towards recovery of the capacity deferrals; AEP-Ohio will begin collecting on these deferrals starting in June 2015 based on the full RSR rate for approximately three years.
	In addition, based on our review Baker Tilly observed that there were some accounts for Lawrenceburg, 5550086 (Operations & Maintenance) and 5550087 (Tax), that were previously considered demand charges for FERC reporting purposes in accordance with FERC's fuel clause definition. These same costs are considered energy charges for the Ohio FAC. Baker Tilly notes that costs pertaining to these accounts were not being double-collected through the APIR and FCR. However, given the differing treatment of these accounts for FERC reporting purposes and the Ohio FAC, Baker Tilly recommends changing the journal entry description to minimize any possible confusion regarding these accounts and to ensure that these costs can be allocated properly as energy costs and thus recovered through the APIR and not the FCR.
3.2 Fixed Capacity-Related Costs Being Recovered Through Quarterly FAC Filings	OVEC and Lawrenceburg demand charges are included in the FCR. Based on the testing steps performed, Baker Tilly recommends creation of formal policies and procedures to develop the quarterly APIR and FCR filings and any future cost recovery riders.
	During our testing, it was determined that AEP-Ohio's non-shopping customers were recovering 100 percent of the fixed costs from Lawrenceburg and OVEC general ledger (GL) accounts 5550104, 5550105, and 5550096 through the FAC. As the costs from the last FAC filing prior to the bifurcation (1^{st} Quarter 2014) would have been reconciled in the 3^{rd} Quarter 2014 APIR/FCR filing, Baker Tilly recommends using the detailed methodology explained in Exhibit B for calculation of the over-collection of fixed costs and refund to AEP-Ohio's non-shopping customers in its next quarterly APIR/FCR filing. During our testing, it was determined that AEP-Ohio's non-shopping customers were recovering 100% of the Lawrenceburg and OVEC fixed costs through the FCR. Although the full amount of over-collection of fixed costs cannot be

Report Section	Observation/Recommendation
	determined for the entire time-frame of the FCR, Baker Tilly recommends using the detailed methodology explained in Exhibit B for calculation of the over-collection of fixed costs and refund to AEP-Ohio's non-shopping customers once all actual monthly values are known, which is expected to be sometime shortly after the end of May 2015.
3.3 AEP-Ohio's Electric Security Plan	The Generation Capacity Rider tariff is being calculated using the $188.88/MW-day cost cap. No recommendations noted.

2.0 PROJECT APPROACH

2.1 Objective

The project objective is to determine whether Ohio Power Company (d/b/a AEP-Ohio) is double-recovering capacity costs, as it relates to power purchased from Ohio Valley Electric Corporation (OVEC) and Lawrenceburg Generating Station (Lawrenceburg), AEP-Ohio's affiliates, from both the Fuel Adjustment Clause (FAC) and through the state compensation mechanism (established in Case No. 10-2929-EL-UNC).

To meet this objective, Baker Tilly took the following project approach:

2.2 High Level Approach

Understand

- Our project team made data requests and reviewed information submitted by AEP to fully understand the issues.

Plan

- We then refined the workplan and received approval from the PUCO client project manager to ensure all areas of the project were addressed.

Communicate

- Project status, data needs and other issues were communicated to all parties throughout the project

Workplan Performance

- Our team completed the approved workplan steps as designed

Report

- Our report includes a high-level executive summary of findings and recommendations supported by all data reviewed and cross-referenced to the report. Our report contains a discussion on the detailed workplan steps taken to support our report.

Testimony Support

- We are available for expert witness testimony or PUCO testimony support as requested.

3.0 DETAILED PROCEDURES, OBSERVATIONS AND RECOMMENDATIONS

3.1 Area Reviewed – State Compensation Mechanisms for Recovery of Capacity Costs

3.1.1 Project Background

In its Opinion and Order in Case No. 10-2929-EL-UNC, the Commission established a State Compensation Mechanism to determine the cost cap for capacity charges for AEP-Ohio – set at $188.88/MW-day. The basis for this mechanism is the overall revenue requirement calculated based on the filed Ohio Power Company's 2010 Federal Energy Regulatory Commission (FERC) Form No. 1 (FERC Form 1) which is then adjusted for other factors such as return on rate base, severance, taxes, energy credits, ancillary services credits, prepaid pension, return on equity (ROE), and trapped energy cost.

The State Compensation Mechanism uses AEP-Ohio's revenue requirement to determine the capacity charge. The revenue requirement includes Lawrenceburg and OVEC charges from Accounts 5550104, 5550105, 5550096, 5550086, and 5550087 as follows:

- $122,856,804 of OVEC and Lawrenceburg demand charges for June 2012 through May 2013 (uses 2011 actuals)
- $127,995,910 of OVEC and Lawrenceburg demand charges for June 2013 through May 2014 (uses 2012 actuals)
- $140,311,280 of OVEC and Lawrenceburg demand charges for June 2014 through May 2015 (uses 2013 actuals)

Although AEP-Ohio did not provide the actual amount of OVEC and Lawrenceburg demand charges that were included in the revenue requirement used to calculate the $188.88/MW-day cost cap, based on the trend in charges above, it can be estimated that it was at least in the range of $120 million. AEP-Ohio is currently deferring the difference in incurred capacity charges (using $188.88/MW-day) and billed capacity (using the reliability pricing model [RPM]). Further, a portion of the nonbypassable Retail Stability Rider (RSR) [$1/MWh] is currently being allocated towards recovery of the capacity deferrals; AEP-Ohio will begin collecting on these deferrals starting in June 2015 based on the full RSR rate for approximately three years.

AEP-Ohio's Position:

AEP-Ohio is using the $188.88/MW-day cost cap as required per the Commission's Opinion and Order in Case No. 10-2929-EL-UNC, however, in support of its position in this proceeding (Case No. 13-1892-EL-FAC), it used this same mechanism to perform a calculation to calculate its actual capacity charges in 2011 – 2013 which are well above the $188.88/MW-day cost cap. AEP-Ohio maintains that since its capacity costs for its Fixed Resource Requirement (FRR) are much greater than what it is recovering under the $188.88/MW-day cost cap, it is not recovering charges for OVEC and Lawrenceburg demand charges. The prudency of the $188.88/MW-day cost cap is being disputed in a separate case with the Supreme Court of Ohio.

AEP-Ohio is using the $188.88/MW-day cost cap for charging capacity charges. The State Compensation Mechanism uses the revenue requirement to determine the capacity charge which includes Lawrenceburg and OVEC charges. Although AEP-Ohio is not collecting enough revenues to cover all of its costs, it cannot be determined which costs AEP-Ohio is recovering and which costs AEP-Ohio is not recovering.

In Baker Tilly Data Request #5 Item #1 the following question was asked by Baker Tilly – **"Provide copies of detailed calculations performed by AEP of the potential amount for refund that may be ordered by the PUCO as relating to this project."**

In response, the Company provided a lengthy answer of which the full response has been included verbatim in the following paragraphs. The response has been copied from the PDF document provided by the Company and is as follows:

"To the extent this question about the potential for refund is asking whether the Company has considered the "worst case scenario" outcome for this case, the Company objects to the question as being neither relevant nor reasonably calculated to lead to the discovery of admissible evidence. More importantly, any analysis by the Company of potential adverse outcomes of the double recovery allegation is privileged and was prepared at the request of legal counsel for purposes of evaluating litigation risk to the Company associated with positions that may be taken by other parties. That being said and without waiving any objections or privilege, the Company states as follows.

Regardless of the process the Commission used to determine the final $188.88/MW-day rate, that was the final rate established as a cap on the Company's incurred cost as evidenced by the clear statement in the Commission's decision in the capacity charge case that established the state compensation mechanism (SCM):

"ORDERED, That AEP-Ohio be authorized to defer its incurred capacity costs not recovered from CRES provider billings to the extent the total incurred capacity costs do not exceed $188.88/MW-day."(Opinion and Order at p.38)
Thus, the Commission imposed the $188.88/MW-day calculation as a rate cap on actual expenses incurred by the Company during the period the SCM would be in effect. In setting the rate cap, the Commission understood that the Company's incurred costs could exceed the $188.88/MW-day cap. In any case, because the $188.88/MW-day calculation was a cap on incurred costs, it is neither a revenue requirement (as has been suggested by the auditor) nor a two-way adjustable formula rate (as the Company had originally proposed in the 10-2929-ELUNC case). Rather, it is a one-way cap that could have been adjusted downward if the actual costs incurred by the Company are less than $188.88/MW-day – which is clearly not the case.

Consistent with that rate cap, the task before the auditor is clear as stated in the Request for Proposal (RFP) as issued by the Commission:

"The auditor's investigation shall determine whether Ohio Power is double-recovering capacity costs, as it relates to power purchased from OVEC and the Lawrenceburg Generation Station." (RFP Entry at p.2)
Given that the demand charges have been fully recovered through the FAC (a fact never disputed by the Company), the appropriate query in this case is whether the same demand charges have actually been recovered -- in part or in whole -- through the $188.88/MW-day capacity rate since August 2012.

The most direct and supportable procedure for such an audit is to determine what costs are actually being recovered through the SCM throughout the 3-year period as described above in the Final Order. If the auditor establishes that the Company incurred costs that equaled or exceeded what it collected through the SCM, and that these incurred costs, net of the approved credits, are all allowable costs for inclusion in the incurred costs as ordered by the Commission, and furthermore do not include any OVEC or Lawrenceburg costs, then this would logically lead to the conclusion and finding that there is no, and cannot be, any double recovery. Because the actual costs incurred far exceed the $188.88/MW-day rate cap, it would be illogical and unfair to single out one category of costs (such as the demand charges) and conclude that those costs were deemed "recovered" while ignoring that the level of unrecovered costs is much larger.

On the other hand, if the auditor determines that the Company collected more through the SCM than its total incurred costs excluding OVEC and Lawrenceburg, but collected at the higher rate due to ongoing inclusion of OVEC and Lawrenceburg demand charges in the computation of its incurred costs, then the auditor could reach the conclusion that there was some level of double recovery.

As demonstrated in BT INT-5-001, Attachment 1, however, the actual cost incurred, excluding any OVEC and Lawrenceburg charges, substantially exceeded what has been collected by the Company through the SCM. All of the values in BT INT-5-001, Attachment 1 are presented to the auditor for inspection and are consistent with data previously provided to the auditor. (see BT INT 1-002 for further details of the Company's methodology.)

Moreover, the time period during which the SCM would be in place (i.e., August 2012 through May of 2015) is the same time period under review in this proceeding. Whether the Company incurred costs exceeding the $188.88/MW-day rate during the period of time in question is of critical importance under the Commission's order and is key to the double recovery inquiry being undertaken by the auditor. Yet, the recovery of actual capacity costs for a given year during the 2012-2015 period is simply not related to the 2010 capacity costs used as a starting point for determining the rate cap in the capacity charge proceeding. In sum, any double recovery audit that did not closely examine and apply the matter of costs incurred could not plausibly support a double recovery finding.

With the foregoing explanation being considered as step one in the process for determining whether any of the demand charges are deemed to be recovered through the SCM, step two would also need to be undertaken prior to calculating any potential customer refund. To be clear, the Company adamantly maintains that the correct result for step one is zero dollars -- so step two would never need to be reached. But if one were to somehow calculate a positive value under step one, then step two would calculate the amount of any such recovery through the SCM so that the amount to be refunded through a FAC adjustment would be the correct allocation for shopping capacity that was collected through the SCM. In other words, even if one were to somehow conclude that the full level of demand charges were recovered in the $188.88/MW-day rate, the amount of demand charges actually collected through the SCM would only be the portion attributable to shopping capacity. That allocation should be done on a demand basis, because that is how the SCM is applied and collected. Doing that allocation on an energy basis would significantly overstate the amount collected through the SCM.

This ends the report section stating AEP-Ohio's position.

Baker Tilly believes that whether the $188.88/MW-day cost cap is appropriate to cover AEP-Ohio's costs is out of the scope of this audit and understands that that issue is already being disputed in a separate case with the Supreme Court of Ohio. Baker Tilly reviewed the mechanism used to determine the $188.88/MW-day rate and noted that the calculation begins with AEP-Ohio's revenue requirement (which includes OVEC and Lawrenceburg charges). Although AEP-Ohio's position states that it does not recover adequate revenues to cover all of its incurred expenses, and, therefore, does not collect OVEC and Lawrenceburg costs, that position assumes that all other costs are being recovered first with no revenues remaining available to be applied to OVEC and Lawrenceburg costs. It could also be stated that the Lawrenceburg and OVEC costs are being recovered first and that other costs are not being recovered due to the cost cap.

Lawrenceburg and OVEC Contracts:

Baker Tilly reviewed AEP-Ohio's existing contracts with Lawrenceburg and OVEC to determine how these two plants charge AEP-Ohio for various purchased power services.

Due to AEP's corporate separation agreement, as of January 1, 2014, AEP Generation Resources charges AEP-Ohio for purchased power fixed and variable costs related to Lawrenceburg through its Power Supply Agreement (PSA). AEP-Ohio's contract with Lawrenceburg includes monthly payments for:

1. Fuel
2. Operation and Maintenance Expenses (O&M)
3. Depreciation
4. Capacity
5. Tax Reimbursement
6. Deferral (Capacity and Depreciation)

The monthly capacity payment is determined annually and applied to the following contract year.

AEP-Ohio's contract with OVEC is managed through an Amended and Restated Inter-Company Power Agreement (ICPA) between OVEC and several other sponsoring utility companies. The merged Ohio Power Company has a 19.93% share (4.44% from the old Columbus Southern Power Company [CSP] and 15.49% from the old Ohio Power Company) of the OVEC generating stations[1]. Per the ICPA, OVEC charges AEP-Ohio based on its share of the OVEC generating units for demand, energy, and transmission-related services.

Further, Baker Tilly examined two specific months of purchased power bills from Lawrenceburg and OVEC: (1) October 2012 and (2) April 2014. These two months were selected as they pertained to time-frames in which these purchased power costs were being recovered through separate riders. In October 2012 (and up until the end of March 2014), these costs were being recovered from AEP-Ohio standard service offer (SSO) customers through its FAC rider and in April 2014, non-renewable fixed and variable costs were being recovered from AEP-Ohio SSO customers through its Fixed Cost Rider (FCR) and Auction Phase in Rider (APIR), respectively.

[1] Article 1 of the Amended and Restated Inter-Company Power Agreement, April 27, 2011

3.1.2 Testing Procedures Performed

Baker Tilly performed the following testing procedures related to the state compensation mechanism for recovery of capacity costs.

	Procedure	Procedure Purpose	Results
1.	Traced a sample of the revenue requirement from the state compensation mechanism to OPCo's FERC Form 1.	To ensure amounts from the state compensation mechanism matched those shown in OPCo's FERC Form 1.	The revenue requirement used in the state compensation mechanism agreed with the FERC Form 1. The revenue requirement amount includes costs for Lawrenceburg and OVEC.
2.	Compared the methodology used by AEP-Ohio for calculating future year's \$/MW-day to verify that it corresponded with the State Compensation Mechanism. (Note: Although AEP-Ohio calculates a much higher rate than the \$188.88/MW-day cost cap, the tariffs used are based on the \$188.88/MW-day).	To determine that AEP-Ohio's calculation methodology is consistent for both calculations.	During our testing, nothing came to our attention that would suggest that AEP-Ohio used a different methodology to determine the \$/MW-day for future years or to suggest noncompliance with using \$188.88/MW-day cost cap for the capacity charges.
3.	Reviewed AEP-Ohio's contracts with Lawrenceburg and OVEC.	To determine which FERC accounts are being used to recover costs for purchased power from Lawrenceburg and OVEC.	Baker Tilly observed that there were some accounts for Lawrenceburg, 5550086 (Operations & Maintenance) and 5550087 (Tax), that were previously considered demand charges for FERC reporting purposes in accordance with FERC's fuel clause definition[2], but for the Ohio FAC they are considered energy charges. As such, these two accounts are recorded as demand charges in the state compensation mechanism and considered energy charges in the FAC (prior to March 31, 2014) and the APIR (as of April 1, 2014).
4.	For sample months (October 2012 and April 2014), recalculated monthly payments pertaining to contracts with Lawrenceburg and OVEC.	To ensure that monthly payments were being calculated in accordance with contracts that AEP-Ohio has with Lawrenceburg and OVEC.	During our testing, nothing came to our attention that would suggest non-compliance with the calculation of monthly payments in regards to contractual agreements with Lawrenceburg and OVEC.
5.	For sample months (October 2012 and April 2014), traced monthly payments pertaining to Lawrenceburg and OVEC to recorded amounts in the General Ledger (GL) detail including journal entries.	To ensure that monthly payment calculations for purchased power matches the GL detail.	During our testing, nothing came to our attention that would suggest non-compliance with monthly payments for Lawrenceburg and OVEC differing from amounts recorded in the GL detail.

[2] Philip J. Nelson Direct Testimony on behalf of Columbus Southern Power Company and Ohio Power Company, Case No. 08-917/918-EL-SSO, July 31, 2008

Procedure	Procedure Purpose	Results
6. For sample months (January 2013 and May 2014), reviewed the calculation to defer the difference in RPM price and the $188.88/MW-day capacity charge cost cap to ensure mathematical accuracy.	To ensure that the amount deferred is accurate.	During our testing, nothing came to our attention that indicates any issues with mathematical accuracy when calculating the amount of charges to be deferred.
7. In testing the deferral amount, selected sampled Competitive Retail Electric Service (CRES) providers (BlueStar and FirstEnergy Solutions Corp for January 2013 and Constellation NewEnergy, Inc. and Strategic Aggregation Consultants, LLC for May 2014), traced the peak load contribution (PLC) to the transmission operations worksheet and recalculated the incurred capacity charges and the billed capacity charges.	To determine proper calculation of the deferral amount based on incurred and billed capacity charges.	For the sampled CRES providers, Baker Tilly noted no instances where the incorrect PLC was used or any issues with recalculating the difference in incurred and billed capacity charges to be deferred.
8. Traced the PJM Interconnection (PJM) W/N Peak, Scaling Factor, Forecast Pool Requirement (FPR), and Final Zonal Capacity Price used in the RPM pricing to the PJM website.	To ensure that CRES providers were being billed properly for capacity charges.	Baker Tilly noted no instances where AEP-Ohio used different factors than what was stated on the PJM website.
9. Reviewed the journal entries recording the deferral for January 2013 and May 2014 ensuring they match the difference in incurred capacity charges (using RPM) and billed capacity charges (using $188.88 cost cap).	To ensure that the proper deferral amount was recorded to the general ledger.	During our testing, nothing came to our attention to indicate non-compliance with the recording of the capacity charge deferral amount.
10. Confirmed that $1/MWh of Retail Stability Rider (RSR) revenues were applied to the recovery of the deferred capacity charges as required in Case No. 11-346-EL-SSO (see section 3.3.1 *Background* for further detail on this Case).	To ensure that the deferred capacity charges are adjusted for $1/MWh of RSR revenues as required in Case No. 11-346-EL-SSO.	During our testing, nothing came to our attention to indicate non-compliance with the recording of the capacity charge deferral amount.
11. Recalculated a sample of the carrying charges on the deferred capacity costs and traced these charges to journal entry detail.	To ensure the amounts recorded as carrying charges were supported by documentation and the methodology was appropriate.	Baker Tilly noted no issues with the calculation or recording of the carrying charges on the deferred capacity charges.

3.1.3 Observations/Recommendations

The State Compensation Mechanism uses AEP-Ohio's revenue requirement to determine the capacity charge. The revenue requirement includes Lawrenceburg and OVEC charges from Accounts 5550104, 5550105, 5550096, 5550086, and 5550087 as follows:

- $122,856,804 of OVEC and Lawrenceburg demand charges for June 2012 through May 2013 (uses 2011 actuals)
- $127,995,910 of OVEC and Lawrenceburg demand charges for June 2013 through May 2014 (uses 2012 actuals)

> $140,311,280 of OVEC and Lawrenceburg demand charges for June 2014 through May 2015 (uses 2013 actuals)

Although AEP-Ohio did not provide the actual amount of OVEC and Lawrenceburg demand charges that were included in the revenue requirement used to calculate the $188.88/MW-day cost cap, based on the trend in charges above, it can be estimated that it was at least in the range of $120 million. AEP-Ohio is currently deferring the difference in incurred capacity charges (using $188.88/MW-day) and billed capacity (using RPM); however it will begin collecting on these starting in June 2015. Further, a portion of the nonbypassable RSR [$1/MWh] is currently being allocated towards recovery of the capacity deferrals; AEP-Ohio will begin collecting on these deferrals starting in June 2015 based on the full RSR rate for approximately three years. As outlined above in Testing Procedures #9-11, Baker Tilly has verified AEP-Ohio's calculation of the capacity deferrals for two sample months (January 2013 and May 2014) was done in accordance with the Commission's directives.

Pertaining to FERC accounts 5550086 (Operations & Maintenance) and 5550087 (Tax) based on our review, Baker Tilly observed that these accounts were previously considered demand charges for FERC reporting purposes in accordance with FERC's fuel clause definition. As such, these demand charges were included in the revenue requirement in calculating the FRR of the state compensation mechanism. Per response from AEP-Ohio during the data request process, these same costs are considered energy charges for the Ohio FAC and included as costs in the APIR as of April 1, 2014. Baker Tilly notes that costs pertaining to these accounts were not being double-collected through the APIR and FCR. However, given the differing treatment of these accounts for FERC reporting purposes and the Ohio FAC, Baker Tilly recommends changing the journal entry description to minimize any possible confusion regarding these accounts and to ensure that these costs can be allocated properly as energy costs and thus recovered through the APIR and not the FCR.

3.2 Area Reviewed – Fixed Capacity-related Costs Being Recovered through the Quarterly FAC Filings

3.2.1 Background

Per the Commission's Opinion and Order in the CBP case, AEP-Ohio received approval to unbundle the FAC, which included creation of the FCR to recover non-energy costs related to purchased power agreements with Lawrenceburg and OVEC to fulfill AEP-Ohio's SSO obligations.

Baker Tilly examined two sample months from two quarterly periods: (1) October 2012 from Quarter 4, 2012 for the FAC and (2) April 2014 from Quarter 2, 2014 for the APIR/FCR to understand the basis of the purchased power costs. Total purchased power costs specifically for AEP-Ohio's SSO customers being charged from AEP Generation Resources were determined through a two-step allocation process:

1. net energy cost (NEC) factors used in the Electric Fuel Component (EFC) to reflect costs to the internal customer; and
2. retail allocation factors to account for the Wheeling Power Company load [3]

Related to the task of reviewing the accounts pertaining to Lawrenceburg and OVEC, Baker Tilly reviewed the FERC accounts recovered through the FAC or the APIR and FCR. Using Exhibit F of AEP-

[3] Ohio Power Company entered into a full requirements contract with Wheeling Power Company on November 2009. Ohio Power Co., Docket No. ER10-275-000 (Jan. 8, 2010) (delegated letter order).

Ohio's Supplement to its original application in its CBP case, Baker Tilly examined all the allowable purchased power costs to determine which accounts were included in the FAC in both the pre-bifurcation and post-bifurcation periods. Paying special attention to accounts specific to Lawrenceburg and OVEC, Baker Tilly examined whether fixed and variable costs were being appropriately recovered through the APIR and FCR by tracing the account amounts to GL detail.

3.2.2 Testing Procedures Performed

Baker Tilly performed the following procedures related to fixed capacity-related costs being recovered through the FAC.

	Procedure	Procedure Purpose	Results
1.	Review unbundling methodology of FAC for current and past list of all FERC accounts included in FAC per Exhibit F, Supplement to Application in the CBP case [Summary of Accounts included in the FCR are shown in Exhibit A].	To ensure accounts were properly being classified as fixed or variable and to be recovered through FCR or APIR as appropriate.	During our testing, nothing came to our attention that would suggest non-compliance with the unbundling methodology for fixed and variable costs to be recovered in the FAC.
2.	For sample quarterly filings for the FAC and APIR/FCR (Q4 2012 and Q2 2014)[4], tested support of fixed capacity-related cost accounts for Lawrenceburg and OVEC to GL detail or original sources.	To determine whether fixed capacity-related costs for Lawrenceburg and OVEC tied appropriately to GL detail or original sources.	During our testing, nothing came to our attention that would suggest non-compliance with fixed capacity-related cost accounts not having an original source. Actual monthly fixed cost amounts for Lawrenceburg and OVEC do not match GL amounts due to the NEC factors and retail allocation factors being assigned specifically to AEP-Ohio's SSO load.
3.	For sample months October 2012 and April 2014, traced values for costs (actual or forecast) and other inputs (NEC factors and retail allocation factors) contained in quarterly FAC filings to their supporting monthly workbooks.	To ensure that total purchased power costs were properly allocated to AEP-Ohio's retail SSO load.	During our testing, nothing came to our attention that would suggest non-compliance with how costs and inputs from the monthly workbooks for purchased power were being transferred to the quarterly FAC filing workbooks.
4.	Tie workbooks supporting the calculation of the APIR and FCR to current tariffs for OPCo and CSP rate zones published on AEP-Ohio's website.	To confirm that workbooks containing APIR and FCR for each rate schedule were consistent with tariffs for OPCo and CSP rate zones published on AEP-Ohio's website.	During our testing, nothing came to our attention that would suggest non-compliance with how the APIR and FCR were being applied to the tariffs being charged to AEP-Ohio's SSO customers.
5.	Calculated the amount of Lawrenceburg and OVEC fixed costs previously recovered in the FAC from August 8, 2012 through March 31, 2014 [Detailed methodology	To determine the total amounts over the time-frame of the FAC that would have been over-collected by AEP-Ohio's non-shopping	During our testing, it was determined that AEP-Ohio's non-shopping customers were recovering 100% of the Lawrenceburg and OVEC fixed costs through the FAC. As the costs from the last FAC filing prior to the bifurcation

[4] These two quarterly periods reflect the pre-bifurcation of the FAC and post-bifurcation of the FAC, respectively.

	Procedure	Procedure Purpose	Results
	explained in Exhibit B].	customers.	(Q1 2014) would have been reconciled in the Q3 2014 APIR/FCR filing, Baker Tilly recommends using the detailed methodology explained in Exhibit B for calculation of the over-collection of fixed costs and refund to AEP-Ohio's non-shopping customers in its next quarterly APIR/FCR filing.
6.	Calculated the amount of Lawrenceburg and OVEC fixed costs previously recovered in the FCR from April 1, 2014 through May 31, 2014; forecasted the amount of Lawrenceburg and OVEC fixed costs to be recovered through the FCR in months June 2014 – May 2015 [Detailed methodology explained in Exhibit B].	To determine the total amounts over the time-frame of the FCR that would be over-collected by AEP-Ohio's non-shopping customers.	During our testing, it was determined that AEP-Ohio's non-shopping customers were recovering 100% of the Lawrenceburg and OVEC fixed costs through the FCR. Although the full amount of over-collection of fixed costs cannot be determined for the entire time-frame of the FCR, Baker Tilly recommends using the detailed methodology explained in Exhibit B for calculation of the over-collection of fixed costs and refund to AEP-Ohio's non-shopping customers once all actual monthly values are known, which is expected to be sometime shortly after the end of May 2015.

3.2.3 Recommendations

Based on the testing steps performed, Baker Tilly recommends creation of formal policies and procedures to develop the quarterly APIR and FCR filings and any future cost recovery riders.

As a result that 100 percent of fixed costs from Lawrenceburg and OVEC accounts 5550104, 5550105, and 5550096 are being recovered from AEP-Ohio's non-shopping customers, Baker Tilly recommends a refund of the over-collected charges to AEP-Ohio's non-shopping customers based on actual monthly fixed costs using the methodology as proposed in Exhibit B. All actual values (i.e., monthly fixed costs for Lawrenceburg and OVEC accounts from the general ledger (GL), retail allocation factors, and shopping percentages) are known for the Lawrenceburg and OVEC accounts recovered during the time-frame of the FAC (i.e., August 8, 2012 through March 31, 2014), since AEP-Ohio's 3rd Quarter 2014 FCR filing would have included reconciliation of actual amounts of the 1st Quarter 2014 FAC rates. Thus, Baker Tilly recommends a refund to the non-shopping customers in the next quarterly APIR/FCR filing. Further, Baker Tilly recommends a refund to non-shopping customers for the over-collection of fixed costs to be recovered during the time-frame of the FCR once all actual monthly values are known.

3.3 Area Reviewed – AEP-Ohio's Electric Security Plan

3.3.1 Background

Per PUCO's approval of AEP-Ohio's modified ESP application in Case No. 11-346-EL-SSO, AEP-Ohio's base generation rates will be frozen through May, 31, 2015 with AEP-Ohio transitioning to a fully competitive market based structure by June 1, 2015. Per its modified ESP-II application, AEP-Ohio was

set to auction 10 percent of its SSO load (energy only) beginning in 2013 through its APIR. Beginning in June 2014, 60 percent of AEP-Ohio's SSO load (energy only) is to be provided by competitive auctions, increasing to 100 percent in January 2015 (energy only). On June 1, 2015, AEP-Ohio's SSO load (energy and capacity) will be fully provided by competitive auctions. AEP-Ohio is a FRR entity and this schedule is accordance with the requirement that AEP-Ohio must remain a FRR entity until June 1, 2015.
The original schedule in the CBP case has been revised slightly in Case No. 13-1530-EL-UNC: *In the Matter of the Commission's Review of Customer Rate Impacts from Ohio Power Company's Transition to Market Based Rates* in which AEP-Ohio will auction 10 percent of its SSO load (energy only) from the time-frame of April – October 2014, 60 percent of its SSO load (energy only) from November – December 2014, and 100 percent in January 2015 (energy only), with AEP-Ohio's SSO load to fully be provided by competitive auctions in June 2015 (energy and capacity). In accordance with the same phase-in schedule for its APIR as shown in the following figure, AEP-Ohio incorporates the state compensation mechanism price of $188.88/MW-day into AEP-Ohio's retail rates through a Generation Capacity Rider.

Figure 1. Phase-in Timeline of APIR and Generation Capacity Riders

	Through March 31, 2014	April 1, 2014 through October 31, 2014	November 1, 2014 through December 31, 2014	January 1, 2015 through May 31, 2015
Base Generation Rates	Current Rates	90% of Current Rates	40% of Current Rates	0% of Current Rates
Generation Capacity Rider	Not Applicable	10% of $188.88/MW-day	60% of $188.88/MW-day	100% of $188.88/MW-day
APIR	Not Applicable[1]	10% based on auction clearing price; 90% based on variable FAC costs	60% based on auction clearing price; 40% based on variable FAC costs	100% based on auction clearing price; 0% based on variable FAC costs
FCR	Not Applicable[1]	100% of fixed FAC costs	100% of fixed FAC costs	100% of fixed FAC costs

Note:
1 – Prior to April 1, 2014, fixed and variable FAC costs were both recovered through the FAC mechanism.

3.3.2 Testing Procedures Performed

Procedure	Procedure Purpose	Results
1. Review the calculation of the Generation Capacity Rider.	To ensure proper inputs and mathematical accuracy in calculation of the Generation Capacity Rider for each rate schedule and proper adherence to phase-in schedule.	During our testing, nothing came to our attention that would suggest non-compliance with how the Generation Capacity Rider was being calculated based on the $188.88/MW-day rate.
2. Tie workbooks supporting the calculation of the Generation Capacity Rider to current tariffs for OPCo and CSP rate zones published on AEP-Ohio's website.	To confirm that workbooks containing Generation Capacity Rider for each rate schedule were consistent with tariffs for OPCo and CSP rate zones published on AEP-Ohio's website.	During our testing, nothing came to our attention that would suggest non-compliance with how the Generation Capacity Rider was being applied to the tariffs being charged to AEP-Ohio's SSO customers.

3.3.3 Recommendations

Baker Tilly has no recommendations pertaining to ESP-II and the calculation of the Generation Capacity Rider.

PUBLIC UTILITIES COMMISSION OF OHIO

An Investigation to Determine Whether Ohio Power Company is Double-Recovering Capacity Costs Related to Power Purchased from Affiliates Lawrenceburg Generating Station and Ohio Valley Electric Corporation

Detailed Procedures, Observations and Recommendations

EXHIBIT A: REVIEW OF FAC UNBUNDLING

The following table shows the list of all FERC accounts included in the FAC per Exhibit F, Supplement to Application in the CBP case with identification of the specific Lawrenceburg and OVEC accounts included in the State Compensation Mechanism and the FCR.

Line	Account	Description	Non-Energy (Fixed)	Energy (Variable)	Included in State Compensation Mechanism	Included in FCR	Note
1	4118002	Comp. Allow. Gains SO2		x			
2	4118003	Comp. Allow. Gains-Seas NOx		x			
3	4118004	Comp. Allow. Gains-Ann NOx		x			
4	4119002	Loss Disposition of Allowances		x			
4	4119003	Loss Disposition of Allowances		x			
5	5010000	Fuel (Ash Handling)		x			
6	5010001	Fuel Consumed		x			
6	5010022	Fuel Consumed		x			
6	5010023	Fuel Consumed		x			
6	5010033	Fuel Consumed		x			
7	5010003	Fuel - Procurement, Unloading & Handling		x			
8	5010009	Fuel Consumed - No Load (CV4)		x			
9	5010011	Fuel Handling - No Load (CV4)		x			
10	5010012	Ash Sales Proceeds		x			
11	5010013	Fuel Survey Activity		x			
12	5010019	Fuel Oil Consumed		x			
13	5010020	Natural Gas Consumed		x			
13	5010036	Natural Gas Consumed		x			
14	5010027	Gypsum handling/disposal costs		x			
14	5010029	Gypsum handling/disposal costs		x			
15	5010028	Gypsum Sales Proceeds		x			
16	5010032	Coal Procurement-Aff		x			
17	5020001	Lime Expense		x			
18	5020002	Urea Expense		x			
19	5020003	Trona Expense		x			
20	5020004	Limestone Expense		x			
21	5020005	Polymer expense		x			
22	5020007	Lime Hydrate Expense		x			
23	5020008	Activated Carbon		x			
24	5020025	Steam Exp Environmental		x			
25	5090000	Allowance Consumption - SO2		x			
25	5090002	Allowance Consumption - SO2		x			

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Line	Account	Description	Non-Energy (Fixed)	Energy (Variable)	Included in State Compensation Mechanism	Included in FCR	Note
26	5090001	Allowance Consumption - Seasonal NOx		x			
27	5090003	CO2 Allowance Consumption (none in this a/c currently)		x			
28	5090005	Allowance Expenses - Annual NOx		x			
29	5470001	Fuel - Gas Turbine		x			
29	5470003	Fuel - Gas Turbine		x			
30	5470004	Fuel - Gas Turbine - Purchasing / Handling Costs - this is cumulative 2011 YTD		x			
31	5550001	Purch Pwr-NonTrading (Fuel for OVEC, Trash, 3rd party Firm)		x			
32	5550003	Purchased Power - Pool Capacity/Cogeneration		x			
33	5550004	Purchased Power - Pool Capacity/Cogeneration	x				
34	5550005	Purchased Power - Affil. Primary/Econ. Pool Energy (Fuel)		x			
35	5550023	Purchase Power - Capacity	x				
36	5550031	Purchased Pwr - Mone (Fuel)		x			
36	5550032	Purchased Pwr - Mone (Fuel)		x			
37	5550032	Purchased Pwr - Mone (Fuel)		x			
38	5550040	PJM Inadvertent - LSE (only)		x			
39	5550046	PP - Fuel Portion - Affil (PP from West Pool)		x			**Account 5550046 pertains to various Lawrenceburg charges**
40	5550046	PP - Fuel Portion - Affil (PP from AEG-Lawrenceburg)		x			**Account 5550046 pertains to various Lawrenceburg charges**
41	5550046	Purchased Power-Non-Fuel Portion - Affiliated (PP from West Pool)		x			**Account 5550046 pertains to various Lawrenceburg charges**
42	5550046	PP - Fuel Portion - Affil (PP - Lawrenceburg fuel handling)		x			**Account 5550046 pertains to various Lawrenceburg charges**
43	5550047	Purchased Power - Wind/Solar		x			
44	5550080	PJM Energy Purchases (Fuel)		x			
45	5550086	PurchPwr-O&M portion-Affiliate (Lawrenceburg)		x	x		**Per AEP-Ohio's response in BT-INT-3-007, this account is considered demand for FERC reporting**

Line	Account	Description	Non-Energy (Fixed)	Energy (Variable)	Included in State Compensation Mechanism	Included in FCR	Note
							purposes, but for the Ohio FAC they are recorded as energy charges
46	5550087	PurchPwr-Tax portion-Affiliate (Lawrenceburg)		x	x		Per AEP-Ohio's response in BT-INT-3-007, this account is considered demand for FERC reporting purposes, but for the Ohio FAC they are recorded as energy charges
47	5550093	Peak Hour Avail Charge - LSE	x				
48	5550094	Purch Pwr-Trading-Nonassoc (Fuel)		x			
49	5550096	PP - Non Trade - Non-Fuel (OVEC, 3rd party)		x			
50	5550096	PP - OVEC Demand-Actual only	x		x	x	
51	5550101	PP Pool Non Fuel -Aff (primary/econ. purchases from East Pool)		x			
52	5550104	Defd Depr & Capacity portion-Affili (Lawrenceburg)	x		x	x	
53	5550105	Depr & Capacity portion-Affili (Lawrenceburg)	x		x	x	
54	5550109	Purchased Power - Solar		x			
	TOTAL NUMBER OF UNIQUE ACCOUNTS						
	63		**6**	**57**	**5**	**3**	

EXHIBIT B: FIXED COSTS OVER-COLLECTION

To elaborate on Procedure #5 under Section 3.2.2, Baker Tilly calculated the over-collection of monthly fixed costs from Accounts 5550104 (Lawrenceburg – Deferred Depreciation and Capacity Portion), 5550105 (Lawrenceburg – Depreciation and Capacity Portion), and 5550096 (Purchase Power – OVEC Demand only) over the time-frame of the FAC through the following steps:

1. Determined the monthly amounts for each of the 3 Lawrenceburg and OVEC fixed cost accounts as recorded in the GL.
2. Applied the NEC factors[5] and Retail Allocation Factors contained in the monthly workbooks used in developing the quarterly FAC and FCR/APIR filings to each of the Lawrenceburg and OVEC fixed cost accounts and summed up these amounts for each month.[6]
3. Calculated AEP-Ohio's shopping customer percentage by month based on the monthly customer meter data reports which shows total metered kWh from AEP-Ohio customers and total kWh from AEP-Ohio Open Access Distribution (OAD) Tariff shopping customers.[7]
4. Calculated AEP-Ohio's non-shopping customer percentage by month by subtracting shopping percentage from 100%.
5. Multiplied monthly fixed costs (after retail allocation) by the corresponding non-shopping percentage for that month.
6. Calculated the total monthly fixed costs over-collection by subtracting the total monthly fixed costs (after retail allocation) [determined in Step 2] from the total monthly fixed costs (after retail allocation) multiplied by the non-shopping percentage [determined in Step 5].

An illustration of this process is shown in Figure 2.[8]

[5] The NEC factors were 100% for all 3 of these fixed cost accounts in the monthly FAC and FCR/APIR workbooks
[6] Due to the implementation of the FAC effective August 8, 2012, Lawrenceburg and OVEC fixed costs from August 2012 were evenly distributed for the number of days in the month (31) and only 24 days of fixed costs in August 2012 were applied for calculating Step 2.
[7] For March 31, 2013, additional information was taken from the 3rd Quarter 2013 FAC filing, which contains the actual non-shopping sales for the months January – March 2013 to determine the shopping customer percentage.
[8] Values reflected in Figure 2 do not reflect actual monthly fixed costs from Lawrenceburg and OVEC or shopping percentages

Figure 2. Fixed Costs recovered in FAC – illustrative only – actual amounts are not shown

Generating Plant	Account Number	Aug-2012	Sep-2012	Oct-2012	Nov-2012	Dec-2012	Jan-2013	Feb-2013	Mar-2013	Apr-2013	May-2013	Jun-2013	Jul-2013	Aug-2013	Sep-2013	
Lawrenceburg	5550104	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	*(a)*
Lawrenceburg	5550105	$300	$300	$300	$300	$300	$300	$300	$300	$300	$300	$300	$300	$300	$300	*(b)*
OVEC	5550096	$600	$600	$600	$600	$600	$600	$600	$600	$600	$600	$600	$600	$600	$600	*(d)*
Total Monthly Fixed Costs (After Retail Allocation)		**$1,000**	**$1,000**	**$1,000**	**$1,000**	**$1,000**	**$1,000**	**$1,000**	**$1,000**	**$1,000**	**$1,000**	**$1,000**	**$1,000**	**$1,000**	**$1,000**	*(e) = (a) + (b) + (d)*
Shopping Percentage		42%	43%	44%	45%	46%	47%	48%	49%	50%	51%	52%	53%	54%	55%	*(f)*
Non-Shopping Percentage (SSO load)		58%	57%	56%	55%	54%	53%	52%	51%	50%	49%	48%	47%	46%	45%	*(g) = 1 - (f)*
Total Monthly Fixed Costs x Non-Shopping Percentage		**$580**	**$570**	**$560**	**$550**	**$540**	**$530**	**$520**	**$510**	**$500**	**$490**	**$480**	**$470**	**$460**	**$450**	*(h) = (g) x (e)*
Total Monthly Fixed Costs Over-collection		**$420**	**$430**	**$440**	**$450**	**$460**	**$470**	**$480**	**$490**	**$500**	**$510**	**$520**	**$530**	**$540**	**$550**	*(i) = (e) - (h)*

Generating Plant	Account Number	Oct-2013	Nov-2013	Dec-2013	Jan-2014	Feb-2014	Mar-2014	Total	
Lawrenceburg	5550104	$100	$100	$100	$100	$100	$100	$2,000	*(a)*
Lawrenceburg	5550105	$300	$300	$300	$300	$300	$300	$6,000	*(b)*
OVEC	5550096	$600	$600	$600	$600	$600	$600	$12,000	*(d)*
Total Monthly Fixed Costs (After Retail Allocation)		**$1,000**	**$1,000**	**$1,000**	**$1,000**	**$1,000**	**$1,000**	**$20,000**	*(e) = (a) + (b) + (d)*
Shopping Percentage		56%	57%	58%	59%	60%	61%		*(f)*
Non-Shopping Percentage (SSO load)		44%	43%	42%	41%	40%	39%		*(g) = 1 - (f)*
Total Monthly Fixed Costs x Non-Shopping Percentage		**$440**	**$430**	**$420**	**$410**	**$400**	**$390**	**$9,700**	*(h) = (g) x (e)*
Total Monthly Fixed Costs Over-collection		**$560**	**$570**	**$580**	**$590**	**$600**	**$610**	**$10,300**	*(i) = (e) - (h)*

To elaborate on Procedure #6 under Section 3.2.2, Baker Tilly calculated the over-collection of monthly fixed costs from Accounts 5550104 (Lawrenceburg – Deferred Depreciation and Capacity Portion), 5550105 (Lawrenceburg – Depreciation and Capacity Portion), and 5550096 (Purchase Power – OVEC Demand only) for the FCR based on actual data provided in the months of April 2014 and May 2014. The methodology for over-collection of fixed costs involves forecasts of Lawrenceburg and OVEC monthly fixed costs, retail allocation factors, and shopping percentage during the time-frame of June 2014 – May 2015 using historical values as bases for the forecasts.

For months April – May 2014 (Actual):

1. Determined the monthly amounts for each of the 3 Lawrenceburg and OVEC fixed cost accounts as recorded in the GL.
2. Applied the NEC factors and Retail Allocation Factors contained in the monthly workbooks used in developing the 2nd Quarter 2014 FCR/APIR filing to each of the Lawrenceburg and OVEC fixed cost accounts and summed up these amounts for each month.
3. Calculated AEP-Ohio's shopping customer percentage by month based on the monthly customer meter data reports which shows total metered kWh from AEP-Ohio customers and total kWh from AEP-Ohio Open Access Distribution (OAD) Tariff shopping customers.
4. Calculated AEP-Ohio's non-shopping customer percentage by month by subtracting shopping percentage from 100%.
5. Multiplied monthly fixed costs (after retail allocation) by the non-shopping percentage.

For months June 2014 – May 2015 (Forecasted):

Lawrenceburg and OVEC fixed costs:

6. For months July – September 2014, obtained the total fixed FAC costs from the 3rd Quarter 2014 FCR filing and evenly allocated across each of the 3 months.
7. For the Lawrenceburg fixed cost accounts in months October 2014 – December 2014, obtained the monthly payments for depreciation and capacity (Account 5550105) and deferred depreciation and capacity (Account 5550104) pre-determined in 2013 in accordance with the PSA.
8. For the Lawrenceburg fixed costs in months January 2015 – May 2015, carried out the 2014 monthly payments.
9. For OVEC fixed costs in Account 5550096, averaged each actual monthly demand fixed costs that occurred in January 2014 – May 2014 to forecast the monthly capacity payments for months October 2014 through June 2015.

Retail Allocation Factors:

10. Based on the downward trend of the actual retail allocation factors from January 2012 from May 2014, performed a linear extrapolation of retail allocation factors from June 2014 through May 2015.

Shopping Percentage:

11. Based on the load forecast provided in AEP-Ohio's modified ESP-II application, calculated the shopping percentage for each remaining month in 2014 (i.e., July – December 2014) and for each remaining month in 2015 (i.e., January – May 2015) by dividing the Shopping Load by the Total Retail Load.[9]
12. Calculated AEP-Ohio's non-shopping customer percentage by month by subtracting shopping percentage from 100%.

<u>For all months April 2014 – May 2015:</u>

13. Multiplied monthly fixed costs (after retail allocation) by the corresponding non-shopping percentage for that month.
14. Calculated the total monthly fixed costs over-collection by subtracting the total monthly fixed costs (after retail allocation) from the total monthly fixed costs (after retail allocation) multiplied by the non-shopping percentage.

Any forecasts in the assumptions listed above will be trued-up during the end of the timeline of the FCR after May 31, 2015 when actual costs and values will be known. An illustration of this process is shown in Figure 3.[10]

[9] Oliver J. Sever, Jr. Direct Testimony on behalf of Columbus Southern Power Company and Ohio Power Company, Case No. 11-346-EL-SSO, March 30, 2012

[10] Values reflected in Figure 3 do not reflect actual monthly fixed costs from Lawrenceburg and OVEC or shopping percentages

Figure 3. Timeline of Fixed Costs to be recovered in FCR – illustrative only – actual or forecasted amounts are not shown

Generating Plant	Account Number	Apr-2014	May-2014	Jun-2014	Jul-2014	Aug-2014	Sep-2014	Oct-2014	Nov-2014	Dec-2014	Jan-2015	Feb-2015	Mar-2015	Apr-2015	May-2015	Total	
Lawrenceburg	5550104	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$1,400	*(a)*
Lawrenceburg	5550105	$300	$300	$300	$300	$300	$300	$300	$300	$300	$300	$300	$300	$300	$300	$4,200	*(b)*
OVEC	5550096	$600	$600	$600	$600	$600	$600	$600	$600	$600	$600	$600	$600	$600	$600	$8,400	*(d)*
Total Monthly Fixed Costs (After Retail Allocation)		**$1,000**	**$1,000**	**$1,000**	**$1,000**	**$1,000**	**$1,000**	**$1,000**	**$1,000**	**$1,000**	**$1,000**	**$1,000**	**$1,000**	**$1,000**	**$1,000**	**$14,000**	*(e) = (a) + (b) + (d)*
Shopping Percentage		62%	63%	64%	65%	66%	67%	68%	69%	70%	71%	72%	73%	74%	75%		*(f)*
Non-Shopping Percentage (SSO load)		38%	37%	36%	35%	34%	33%	32%	31%	30%	29%	28%	27%	26%	25%		*(g) = 1 - (f)*
Total Monthly Fixed Costs x Non-Shopping Percentage		**$380**	**$370**	**$360**	**$350**	**$340**	**$330**	**$320**	**$310**	**$300**	**$290**	**$280**	**$270**	**$260**	**$250**	**$4,410**	*(h) = (g) x (e)*
Total Monthly Fixed Costs Over-collection		**$620**	**$630**	**$640**	**$650**	**$660**	**$670**	**$680**	**$690**	**$700**	**$710**	**$720**	**$730**	**$740**	**$750**	**$9,590**	*(i) = (e) - (h)*

EXHIBIT C: DATA REQUESTED

Data Request Batch #	Item #	Item Requested
BT_01	1	Please provide the entries recording costs recovered from Lawrenceburg and OVEC through the statewide compensation mechanism as a result of Case No. 10-2929-EL-UNC for Ohio Power Company and Columbus Southern Power Company.
BT_01	2	Please provide any support for methodologies being used for deferral accounting of the statewide mechanisms for 2012 and 2013 pursuant to the Commission's Opinion & Order in Case No. 10-2929-EL-UNC.
BT_01	3	Please provide support for statewide compensation mechanisms costs being deferred for each month following the Commission's Opinion & Order in Case No. 10-2929-EL-UNC.
BT_01	4	Please provide any contracts (e.g., purchase power agreements) that Ohio Power Company has with Lawrenceburg and OVEC.
BT_01	5	Please provide calculations and support of the daily FRR requirements of Lawrenceburg and OVEC (MW-day) used to determine the purchase power demand charges.
BT_01	6	Please specify the frequency (i.e., monthly, quarterly) that the Generation Capacity Rider is updated and reconciled for both the Ohio Power Company and Columbus Southern Power Company.
BT_01	7	Please provide policies and procedures and information systems used to develop the Generation Capacity Rider filings.
BT_01	8	Please provide support for the billing determinant forecasts (kWh) used for both companies' (Ohio Power and Columbus Southern) Generation Capacity Rider and the Fixed Cost Riders beginning with the first tariff sheets following the Commission's Opinion & Orders in Cases No. 10-2929-EL-UNC and 11-5906-EL-FAC.
BT_01	9	Please provide policies and procedures and information systems used to develop quarterly and annual FAC filings.
BT_01	10	Please provide any support for the unbundling of the FAC into both the fixed (FCR) and variable components.
BT_01	11	Please provide documentation on policies and procedures and information systems used to accumulate and account for cost inputs for fixed capacity-related costs being recovered through the FAC.
BT_01	12	Please provide any policies and procedures for complying with the Commission's decision on the FAC component of AEP-Ohio's approved Electric Security Plan (ESP).
BT_01	13	Please provide policies and procedures related to carrying charges and inputs used to calculate the carrying charges for both the statewide compensation mechanism and the FAC.
BT_01	14	Please provide the quarterly spreadsheets for calculating the FAC including true-ups since the establishment of the FAC pursuant to the Commission decision in Case No. 11-346-EL-SSO for both the Ohio Power company and Columbus Southern Power Company.
BT_01	15	Please provide the quarterly spreadsheets for calculating the FAC including true-ups since the establishment bifurcation of the FAC pursuant to the Commission decision in Case No. 12-3254-EL-UNC for both the Ohio Power company and Columbus Southern Power Company.
BT_01	16	Please provide the spreadsheets for calculating the Generation Capacity Rider including true-ups since the establishment of the statewide compensation mechanism for both the Ohio Power company and Columbus Southern Power Company.
BT_01	17	In response to support provided in AEP Ohio's response to OEG's first discovery request in Case No. 11-5906-EL-FAC, please provide purchase power costs from Lawrenceburg and OVEC in 2014.

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Data Requested

Data Request Batch #	Item #	Item Requested
BT_01	18	In response to support provided in AEP Ohio's response to OEG's first discovery request in Case No. 11-5906-EL-FAC, please provide calculations and support for all the costs reflected in Attachments 1 – 4 and any attachment to be provided in response to BT_01_17.
BT_02	1	Please provide the FERC Form 1 reports for 2011, 2012, and 2013. Please provide the FERC Form 1 for 2011 in electronic format.
BT_02	2	Please provide the "Ohio Formula Rate Calculation" for 2010 – 2013 in electronic format.
BT_02	3	Please provide EVA's "Final Workpaper" showing the OSS calculation.
BT_02	4	Please provide the spreadsheet titled "Ohio Energy Credit."
BT_02	5	Please provide the following Excel files: a. 2011 Staff and PUCO adjustment workpapers.xlsx b. 2012 Staff and PUCO adjustment workpapers.xlsx c. 2013 Staff and PUCO adjustment workpapers.xlsx d. 2012-2013 Comparison-Actuals vs Staff Forecast.xlsx e. Ancillary Services 2012-2013.xlsx
BT_02	6	Please provide the Energy Credit Calculation (shows Day Ahead) – backup support for #4 above.
BT_02	7	Please provide the spreadsheet support for the quarterly FAC calculations for 4th quarter 2012 and 3rd quarter 2014.
BT_02	8	Please provide the general ledger detail (including journal entry detail) for the accounts in the spreadsheet support provided in #7 above.
BT_02	9	General Ledger support (journal entry detail) for the Lawrenceburg power bills for July 2012 and October 2013. Please provide support showing the estimate, reversal, and actual recording of costs.
BT_02	10	General ledger detail (including journal entry detail) for the deferral account for capacity charges for 2012-2013.
BT_02	11	Support for blending base generation rates with the GEN-C Rider including commission orders and support.
BT_02	12	General ledger detail (including journal entry detail) for the accounts listed in Exhibit F of Case 12-3254-EL-UNC for 2011-current.
BT_03	1	Support for the Zonal 5CP amount used in the "01-13 Ohio CRES Confidential.xls" and the "05-14 Ohio CRES Confidential.xls" files we received in DR#1, Q.3.
BT_03	2	Support for the Transmission Loss Factor used in the above two files.
BT_03	3	An explanation and support for the adjustments made to the deferral for January 2013 (4,146,584.65) and May 2014 (3,317,272.30) in the "BT-INT 1-3 Attachment 1.xls" file.
BT_03	4	Support for the cost of capital used for January 2013 (5.518%) and May 2014 (5.694%) for determining the carrying charges in the "BT-INT 1-13 Attachment 1.xls" file.
BT_03	5	General ledger detail (including journal entry detail) for the carrying charges for January 2013 and May 2014.

PUBLIC UTILITIES COMMISSION OF OHIO

Data Requested

Data Request Batch #	Item #	Item Requested
BT_03	6	Support showing how the generation capacity rider (which collects the PUCO mandated $188.88 per MW-day) was calculated for rates effective April 1, 2014 including support for the SSO Load, Transmission and Distribution Losses and the Energy at the Meter.
BT_03	7	Referring to tab “EXH OPCO 1” on BT-INT-2-007d, Confidential OPCO APIR Calculation – 0414 actual.xlsx, it seems that Lawrenceburg accounts 5550086 and 5550087 are included in the APIR and not the FCR. However, in BT-INT-1-017 Competitively Sensitive Confidential Attachment 1.xlsx, it seems that those two accounts are categorized as demand (fixed) costs. Can AEP-Ohio provide an explanation of why these costs would not be in the FCR?
BT_03	8	Support (CBR source) for WP-1 “Production System Peak Demand” in “Ohio Formula Rate Calculation.”
BT_03	9	Support (CBR source) for WP-9a and WP-9b in Ohio Formula Rate Calculation, including system query.
BT_03	10	Pertaining to BT-INT-1-016 Attachment 1, please provide support for the auction seasonal factors used in the APIR and total fixed FAC costs in the FCR.
BT_03	11	Please provide support for the PSA bill for Lawrenceburg for April 2014 and October 2012 similar to as provided in BT-INT-1-018 Competitively Sensitive Attachment 1.
BT_03	12	Please provide supporting detail/calculations that would show the separation of the fixed and variable component of OVEC Account 5550096. In addition, please provide an explanation of why the demand component of Account 5550096, *PP – OVEC Demand-Actual only* as is described in the GL Detail isn’t captured in the April 2014 FCR actual support documentation (BT-INT-2-007e, Confidential OPCO FCR Calculation – 0414 act) and why the energy component of Account 5550096, *PP – Non Trade – Non Fuel (OVEC, 3rd party)* appears in the April 2014 FCR support documentation.
BT_03	13	Please provide additional support detailing how Lawrenceburg Accounts 5550104 and 5550105 are removed from the APIR as shown in the April 2014 APIR actual support documentation (BT-INT-2-007d, Confidential OPCO APIR Calculation – 0414 actual) or in another workbook.
BT_03	14	Please provide PJM bills for June – Dec 2012 and calendar year 2013 in addition to any other support for BT-INT-2-005, Ancillary Services 2012 and 2013.
BT_04	1	Relating to BT-INT-1-016 Attachment 1, please provide a more updated spreadsheet that shows the current APIR and FCR riders being charged to Ohio Power and Columbus Southern Power customers that are reflected in the tariff sheets for the Ohio Power and Columbus Southern Power tariff rate zones.
BT_04	2	Per BT-INT-1-015 Attachment 1 of 2 FAC 2nd Q 2014, please provide support for the monthly jurisdictional ratio of 1.042 that is applied to the retail sales at the generation level for the AER component.
BT_04	3	Per BT-INT-3-011 Competitively Sensitive Attachment 1, please provide support for the following items used in the October 2012 and May 2014 capacity payment for Lawrenceburg in order to recalculate the capacity payments in accordance with the Lawrenceburg PSA: a) Net electric plant in service b) 1540001 Spare Parts c) Depreciated Assets – Exclude Intangible
BT_04	4	Please provide an explanation for why the GL total for Account 5550001 of $5,737,450 in October 2012 per *BT-INT-2-008a, Confidential OPCo Journal Detail – Q4-12* differs from the amount of $5,466,272 for Account 5550001 in October 2012 that is reflected in *OEG INT-1-001 Attachment 1*.

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Data Requested

Data Request Batch #	Item #	Item Requested
BT_04	5	Please provide further clarification to the response provided under Interrogatory BT-INT-3-007. Provide the language that would require that these costs be recorded as demand related for FERC purposes and energy charges for the Ohio FAC. Provide the language in the Ohio FAC that determines these costs would be energy related.
BT_04	6	Please provide support for the monthly energy demand for OVEC and Lawrenceburg in Workpapers WP-15c in the Ohio Formula Rate Calculation document.
BT_04	7	Please provide further clarification or support for why the $/MW-day for Jun 2012 – May 2015 energy credit is calculated using 3 years of MWs when there are only 19 months of retained margins.
BT_05	1	Provide copies of detailed calculations performed by AEP of the potential amount for refund that may be ordered by the PUCO as relating to this project.
BT_05	2	Provide any calculations or assessment of potential amounts for refund relating to this matter that were developed as part the following disclosure on page 251 in AEP's 10-Q filing with the SEC for the quarterly period ended June 30, 2014. *Ohio may require a reduction in our 2012 and 2013 fuel deferrals. - Affecting AEP and OPCo* In May 2014, the PUCO-selected outside consultant provided its final report related to their 2012 and 2013 FAC audit which included certain unfavorable recommendations related to the FAC recovery for 2012 and 2013. In addition to this report, the PUCO will also consider the results of the pending audit of the recovery of fixed fuel costs. If the PUCO does not permit full recovery of OPCo's FAC deferral, it could reduce future net income and cash flows and impact financial condition.
BT_05	3	Provide support for the amount of OVEC and Lawrenceburg demand charges that were included in the revenue requirement of $1,137,598,132 used in calculating the $188.88 rate in the state compensation mechanism.

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Case No(s). 13-1892-EL-FAC

Summary: Report electronically filed by Mrs. Yvonne W Cooper on behalf of BAKER TILLY