

THE PUBLIC UTILITIES COMMISSION OF OHIO

**IN THE MATTER OF THE COMMISSION
REVIEW OF THE CAPACITY CHARGES OF
OHIO POWER COMPANY AND COLUMBUS
SOUTHERN POWER COMPANY.**

CASE NO. 10-2929-EL-UNC

**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

CASE NO. 11-348-EL-SSO

**IN THE MATTER OF THE APPLICATION OF
COLUMBUS SOUTHERN POWER COMPANY
AND OHIO POWER COMPANY FOR
APPROVAL OF CERTAIN ACCOUNTING
AUTHORITY.**

CASE NO. 11-349-EL-AAM

CASE NO. 11-350-EL-AAM

**IN THE MATTER OF THE APPLICATION OF
OHIO POWER COMPANY TO ADOPT A
FINAL IMPLEMENTATION PLAN FOR THE
RETAIL STABILITY RIDER.**

CASE NO. 14-1186-EL-RDR

ENTRY

Entered in the Journal on August 29, 2016

{¶ 1} Ohio Power Company d/b/a AEP Ohio (AEP Ohio or the Company)¹ is an electric light company as defined in R.C. 4905.03 and a public utility as defined in R.C. 4905.02, and, as such, is subject to the jurisdiction of this Commission.

{¶ 2} R.C. 4928.141 provides that an electric distribution utility shall provide consumers within its certified territory a standard service offer (SSO) of all competitive retail electric services necessary to maintain essential electric services to customers,

¹ On March 7, 2012, the Commission approved and confirmed the merger of Columbus Southern Power Company into Ohio Power Company. *In re Ohio Power Co. and Columbus Southern Power Co.*, Case No. 10-2376-EL-UNC, Entry (Mar. 7, 2012).

including a firm supply of electric generation services. The SSO may be either a market rate offer in accordance with R.C. 4928.142 or an electric security plan (ESP) in accordance with R.C. 4928.143.

{¶ 3} On July 2, 2012, in Case No. 10-2929-EL-UNC, the Commission approved a capacity pricing mechanism for AEP Ohio. *In re Ohio Power Co. and Columbus Southern Power Co.*, Case No. 10-2929-EL-UNC (*Capacity Case*), Opinion and Order (July 2, 2012). The Commission established \$188.88/megawatt-day (MW-day) as the appropriate charge to enable AEP Ohio to recover, pursuant to its fixed resource requirement obligations, its capacity costs from competitive retail electric service (CRES) providers. However, the Commission also directed that AEP Ohio's capacity charge to CRES providers should be based on the rate established by the reliability pricing model (RPM) for PJM Interconnection, LLC, including final zonal adjustments, in light of the fact that the RPM-based rate would promote retail electric competition. The Commission authorized AEP Ohio to modify its accounting procedures to defer capacity costs not recovered from CRES providers to the extent the total incurred capacity costs do not exceed \$188.88/MW-day, with the recovery mechanism to be established in the Company's then pending second ESP proceedings. *Capacity Case* at 33.

{¶ 4} On August 8, 2012, the Commission issued its Opinion and Order in Case No. 11-346-EL-SSO, et al., which approved, with certain modifications, AEP Ohio's application for a standard service offer in the form of an ESP, in accordance with R.C. 4928.143. *In re Columbus Southern Power Co. and Ohio Power Co.*, Case No. 11-346-EL-SSO, et al. (*ESP 2 Case*), Opinion and Order (Aug. 8, 2012). Among other provisions of the ESP, the Commission modified and approved AEP Ohio's proposed retail stability rider (RSR), which, in part, was intended to enable the Company to begin to recover the deferred amount of its capacity costs, consistent with the Commission's directives in the *Capacity Case*. Specifically, AEP Ohio was permitted to collect a monthly charge of \$3.50 per megawatt hour (MWh) through May 31, 2014, and \$4.00 per MWh between June 1, 2014, and May 31, 2015, with \$1.00 per

MWh allocated toward the capacity deferral. Additionally, the Commission found that any remaining capacity deferral balance at the conclusion of the ESP term should be amortized over a three-year period, unless otherwise ordered by the Commission. The Commission also directed AEP Ohio to file its actual shopping statistics at the end of the ESP term and noted that all determinations for future recovery of the capacity deferral balance would occur following the Company's filing of its actual shopping statistics. *ESP 2 Case* at 36.

{¶ 5} On April 2, 2015, in Case No. 14-1186-EL-RDR, the Commission modified and approved an application filed by AEP Ohio to continue the RSR, until the capacity deferral and carrying costs are fully recovered, with a collection period of approximately 32 months. *In re Ohio Power Co.*, Case No. 14-1186-EL-RDR, Finding and Order (Apr. 2, 2015) at 12-13. By Entry on Rehearing issued on May 28, 2015, the Commission granted applications for rehearing of its Finding and Order in that case for further consideration of the matters specified in the applications for rehearing.

{¶ 6} The Commission's orders in the *Capacity Case* and *ESP 2 Case* were appealed to the Supreme Court of Ohio. Although the Court affirmed the Commission's orders in both cases in many respects on April 21, 2016, the Court remanded the *Capacity Case* to the Commission to address alleged flaws in certain inputs to the calculation of the energy credit used to offset AEP Ohio's capacity costs with projected revenues from off-system sales. *In re Comm. Rev. of Capacity Charges of Ohio Power Co.*, Slip Opinion No. 2016-Ohio-1607, at ¶ 57. Upon review of the *ESP 2 Case*, the Court found, regarding the RSR, that AEP Ohio "is entitled to recover only its actual capacity costs" and, therefore, the *ESP 2 Case* was remanded to the Commission "to adjust the balance of [the Company's] deferred capacity costs to eliminate the overcompensation of capacity revenue recovered through the nondeferral part of the RSR during the ESP." *In re Application of Columbus S. Power Co.*, Slip Opinion No. 2016-Ohio-1608, at ¶ 40. The Court also determined that the Commission failed to explain its decision to establish a significantly excessive earnings test threshold of 12 percent to be applied during the term of the ESP for purposes of the annual earnings

review required by R.C. 4928.143(F). *In re Application of Columbus S. Power Co.*, Slip Opinion No. 2016-Ohio-1608, at ¶ 66.

{¶ 7} By Entry dated May 18, 2016, the Commission directed AEP Ohio to file revised tariffs that provide that the RSR is being collected subject to refund, effective with bills rendered for the first billing cycle of June 2016, until otherwise ordered by the Commission.

{¶ 8} At this time, the attorney examiner finds that the parties should be afforded an opportunity to present testimony and to offer additional evidence in regard to the matters remanded to the Commission in the *Capacity Case* and the *ESP 2 Case*. Accordingly, the following procedural schedule should be established:

- (a) Discovery requests, except for notices of deposition, should be served by September 30, 2016.
- (b) Testimony on behalf of AEP Ohio should be filed by October 4, 2016.
- (c) Testimony on behalf of intervenors should be filed by October 18, 2016.
- (d) Testimony on behalf of Staff should be filed by October 25, 2016.
- (e) A prehearing conference shall take place on November 1, 2016, at 10:00 a.m., at the offices of the Commission, Hearing Room 11-A, 180 East Broad Street, Columbus Ohio 43215-3793.
- (f) An evidentiary hearing shall commence on November 8, 2016, at 10:00 a.m., at the offices of the Commission, Hearing Room 11-A, 180 East Broad Street, Columbus, Ohio 43215-3793.

{¶ 9} It is, therefore,

{¶ 10} ORDERED, That the procedural schedule set forth in Paragraph 8 be adopted.
It is, further,

{¶ 11} ORDERED, That a copy of this Entry be served upon all parties of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO

s/Sarah Parrot

By: Sarah J. Parrot
Attorney Examiner

JRJ/sc

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8/29/2016 2:32:31 PM

in

Case No(s). 10-2929-EL-UNC, 11-0346-EL-SSO, 11-0348-EL-SSO, 11-0349-EL-AAM, 11-0350-EL-AAM

Summary: Attorney Examiner Entry setting the procedural schedule indicated in Paragraph 8. - electronically filed by Sandra Coffey on behalf of Sarah Parrot, Attorney Examiner, Public Utilities Commission of Ohio