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December 30, 2016

Docketing Division
Public Utilities Commission of Ohio
180 East Broad Street
Columbus OH 43215

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RE: *In the Matter of the Application of Ohio Power Company to Update its Basic Transmission Cost Rider, Case No. 16-1409-EL-RDR*

Dear Docketing Division:

Enclosed please find the Staff's Review and Recommendations in regard to the application filed by Ohio Power Company, in Case No. 16-1409-EL-RDR.



Tamara S. Turkenton
Chief, Regulatory Services Division
Public Utilities Commission of Ohio



David Liphtratt
Chief, Research and Policy Division
Public Utilities Commission of Ohio

Enclosure
Cc: Parties of Record

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Ohio Power Company
Case No. 16-1409-EL-RDR (BTCR)

SUMMARY

Until May 31, 2015, Ohio Power Company (AEP Ohio or Company) recovered PJM assessed transmission costs from SSO customers through a bypassable transmission cost recovery rider (TCRR). In its February 25, 2015, Opinion and Order in Case No. 13-2385-EL-SSO, the Commission authorized AEP Ohio to eliminate the TCRR, following a final true-up, and to establish a non-bypassable basic transmission cost rider (BTCR). Through the BTCR, AEP Ohio recovers from all of its customers non-market based transmission charges, including the following:

- Network Integration Transmission Service;
- Transmission Enhancement;
- Transmission Owner Scheduling, System Control, and Dispatch Service;
- Reactive Supply and Voltage Control from Generation and Other Sources Service;
- Generation Deactivation Charges;
- Load Reconciliation for Transmission Owner Scheduling, System Control and Dispatch Service; and
- Credits for Firm Point-to-Point Transmission Service and Non-Firm Point-to-Point Transmission Service.

The current BTCR rates were approved by the Commission on August 26, 2015, in Case No. 15-1105-EL-RDR. On June 15, 2016, in Case No. 16-1409-EL-RDR, AEP filed its application proposing updated BTCR rates effective on a bills rendered basis beginning with the first day of the September 2016 billing cycle. Through an August 23, 2016, Entry, the 75-day time period set forth in Ohio Adm.Code 4901:1-36-05 for the review of AEP Ohio's application was suspended to allow for a sufficient review of AEP Ohio's application.

STAFF REVIEW AND RECOMMENDATIONS

Staff reviewed the June 15, 2016, application. In its review, Staff examined the as-filed schedules for consistency with the Commission's Opinion and Orders in previous cases and to ensure proper accounting treatment was applied. The audit consisted of a review of the financial statements regarding completeness, occurrence, presentation, valuation, allocation, and accuracy. Staff conducted this audit through a combination of document review, interview, and interrogatories. Staff requested documentation as needed to determine that the costs were substantiated and jurisdictional or to conclude that an adjustment was warranted.

Staff has been working with the Company to minimize the potential for over and under recovery balances that are factored into the annual revenue requirement of the BTCR rider. As a result, certain modifications will be made to the Company's forecasting methodology in its next annual update filing. The modifications will result in more accurate forecasts, as well as create consistency in forecasting methodologies amongst the regulated electric utilities in Ohio.

Through Staff review in this case, AEP Ohio has agreed to include in their next annual update filing the following modifications:

- The annual forecast period will be aligned with the timeframe in which the rates are to be in effect (September through August).
- The over/under balance included in the annual revenue requirement for the proposed rates will include the actual balance as of April 30 and the forecasted monthly over/under amounts for May through August.

CONCLUSION

Staff recommends that AEP Ohio's application filed on June 15, 2016 be approved for rates effective on a bills rendered basis beginning with the first day of the February 2017 billing cycle.