

THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE APPLICATION OF
OHIO POWER COMPANY TO UPDATE ITS
DISTRIBUTION INVESTMENT RIDER.

CASE NO. 14-1696-EL-RDR

FINDING AND ORDER

Entered in the Journal on February 21, 2018

I. SUMMARY

{¶ 1} The Commission approves the proposed distribution investment rider tariffs filed by Ohio Power Company d/b/a AEP Ohio on February 15, 2018.

II. DISCUSSION

{¶ 2} Ohio Power Company d/b/a AEP Ohio (AEP Ohio or the Company) is an electric distribution utility as defined in R.C. 4928.01(A)(6) and a public utility as defined in R.C. 4905.02, and, as such, is subject to the jurisdiction of this Commission.

{¶ 3} 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, 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.

{¶ 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 an ESP, effective with the first billing cycle of September 2012 through May 31, 2015. Among other provisions of the ESP, the Commission modified and approved AEP Ohio's proposed distribution investment rider (DIR) to allow for the recovery of capital costs for distribution infrastructure investments in order to facilitate improved service reliability. 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. Additionally, the Commission required that the DIR be reviewed annually for accounting

accuracy and prudence. *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) at 43, 46-47.

{¶ 5} In Case No. 12-2627-EL-RDR, the Commission directed that, with respect to AEP Ohio's future quarterly DIR filings, the proposed DIR rate 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. *In re Ohio Power Co.*, Case No. 12-2627-EL-RDR (2012 *DIR Case*), Finding and Order (Nov. 28, 2012) at 2.

{¶ 6} In Case No. 13-2385-EL-SSO, et al., the Commission modified and approved an ESP for AEP Ohio, including modification and approval of continuation of the DIR, for the period of June 1, 2015, through May 31, 2018. The Commission noted that the DIR is updated quarterly and that AEP Ohio's proposed DIR rates are automatically approved 60 days after the application is filed, unless the Commission specifically orders otherwise. *In re Ohio Power Co.*, Case No. 13-2385-EL-SSO, et al. (*ESP 3 Case*), Opinion and Order (Feb. 25, 2015) at 41, 45-47.

{¶ 7} On December 21, 2017, in the above-captioned case, AEP Ohio filed an application to update the DIR, effective with the first billing cycle of March 2018. With its application, AEP Ohio filed proposed DIR tariffs.

{¶ 8} On February 15, 2018, AEP Ohio filed revisions to its proposed DIR tariffs. Following consultation with Staff, AEP Ohio proposes to modify the DIR tariffs to provide that the DIR "is subject to reconciliation, including, but not limited to, refunds to customers, based upon the impact to the carrying charge rate recovered through this Rider of changes in Federal corporate income taxes due to the Tax Cuts and Jobs Act of 2017 or based upon the results of audits ordered by the Commission in accordance with the February 25, 2015 Opinion and Order in Case Nos. 13-2385-EL-SSO, et al." AEP Ohio notes that it has agreed to propose the new tariff language without prejudice to any position taken by the Company in any other proceeding.

{¶ 9} On February 16, 2018, Staff filed its review and recommendations. Following its review of AEP Ohio's application and proposed tariffs, Staff notes that the Company did not adjust the DIR to account for any tax changes related to the Tax Cuts and Jobs Act of 2017 (TCJA). Staff further notes that, based on AEP Ohio's revised proposed tariffs, the DIR will be subject to the outcome of the Commission's investigation in Case No. 18-47-AU-COI. *In re the Commission's Investigation of the Financial Impact of the Tax Cuts and Jobs Act of 2017 on Regulated Ohio Utility Companies*, Case No. 18-47-AU-COI (Tax COI Case), Entry (Jan. 10, 2018). Staff concludes that the revised proposed tariffs appropriately clarify the Commission's authority with respect to reconciliations and adjustments to the DIR. Staff, therefore, recommends that the new tariff language be approved, effective with the first billing cycle of March 2018.

{¶ 10} On February 20, 2018, the Ohio Consumers' Counsel (OCC) filed comments, along with a motion to intervene in this proceeding. In its comments, OCC notes that, under AEP Ohio's proposed tariffs, the lower corporate income tax rate will be reflected in the DIR, only if the Commission orders that outcome in the *Tax COI Case*. OCC asserts that the lower federal corporate income tax rate should be immediately reflected in the DIR, in order to ensure that consumers receive the benefit of the reduced tax rate. OCC adds that the reduction in the tax rate may enable AEP Ohio to invest more in its distribution infrastructure than was contemplated by the Commission in the *ESP 3 Case*, which is an issue that is not addressed by the Company's proposed tariff amendment. OCC concludes that AEP Ohio's decreased taxes should result in lower bills for customers rather than additional utility investment.

{¶ 11} The Commission finds that AEP Ohio's proposed DIR tariffs, as amended on February 15, 2018, are reasonable, consistent with the *ESP 3 Case*, and in the public interest. The Commission has previously directed that the DIR be audited on an annual basis for accounting accuracy and prudence, with the rider subject to reconciliation as a result of the annual audits. *ESP 2 Case*, Opinion and Order (Aug. 8, 2012) at 47; *2012 DIR Case*, Finding and Order (Nov. 28, 2012) at 2; *ESP 3 Case*, Opinion and Order (Feb. 25, 2015) at 41. AEP

Ohio's revised proposed tariffs are consistent with the Commission's prior directives and make clear that the DIR is subject to reconciliation and adjustment. We, therefore, find that AEP Ohio's amended DIR tariffs should be approved, effective with the first billing cycle of March 2018. We further find that no hearing is necessary in this proceeding.

{¶ 12} Additionally, the Commission finds that OCC's motion to intervene in this proceeding is reasonable and should be granted. With respect to OCC's comments, we note that the proposed DIR rate has already been approved pursuant to the 60-day review process set forth in the *ESP 3 Case*. *ESP 3 Case*, Opinion and Order (Feb. 25, 2015) at 41. Further, AEP Ohio's revised tariffs explicitly clarify that the DIR is subject to reconciliation and adjustment, including, but not limited to, refunds to customers, based upon the impact of the reduced federal corporate income tax rate on the rider's carrying charges. The Commission has initiated an investigation to consider the impacts of the TCJA, including consideration of the components of utility rates that will need to be reconciled in light of the TCJA. *Tax COI Case*, Entry (Jan. 10, 2018). Interested stakeholders, including OCC, have already filed comments in the *Tax COI Case* for the Commission's consideration, with reply comments due to be filed by March 7, 2018. Following our full consideration of the issues identified by the various stakeholders in the *Tax COI Case*, the DIR will be subject to adjustment and reconciliation as a result of that proceeding, as reflected in AEP Ohio's revised tariffs.

III. ORDER

{¶ 13} It is, therefore,

{¶ 14} ORDERED, That OCC's motion for intervention be granted. It is, further,

{¶ 15} ORDERED, That AEP Ohio's proposed DIR tariffs, as filed on February 15, 2018, be approved. It is, further,

{¶ 16} ORDERED, That AEP Ohio be authorized to file tariffs, in final form, consistent with this Finding and Order. AEP Ohio shall file one copy in this case docket and one copy in its TRF docket. It is, further,

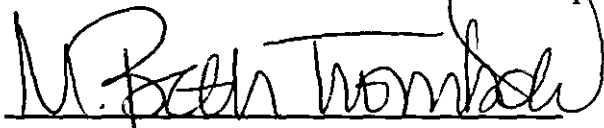
{¶ 17} ORDERED, That the effective date of the new tariffs shall be a date not earlier than the first day of the March 2018 billing cycle, and the date upon which the final tariff pages are filed with the Commission. It is, further,

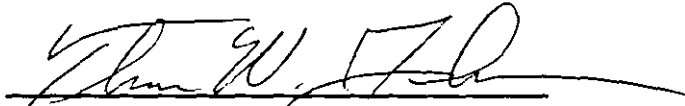
{¶ 18} ORDERED, That nothing in this Finding and Order shall be binding upon this Commission in any future proceeding or investigation involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

{¶ 19} ORDERED, That a copy of this Finding and Order be served upon all interested persons and parties of record.

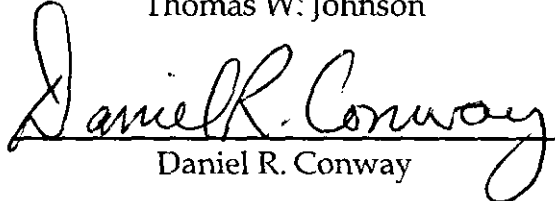
THE PUBLIC UTILITIES COMMISSION OF OHIO



Asim Z. Haque, Chairman

M. Beth Trombold

Thomas W. Johnson

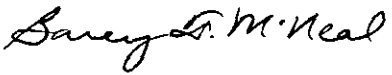
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Barcy F. McNeal
Secretary