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**Via E-File**

February 26, 2018

Public Utilities Commission of Ohio  
PUCO Docketing  
180 E. Broad Street, 10th Floor  
Columbus, Ohio 43215

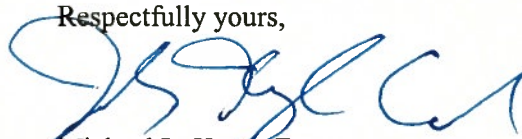
**In re: Case No. 18-96-EL-RDR**

Dear Counsel:

Please find attached the COMMENTS OF THE OHIO ENERGY GROUP for filing in the above-referenced matters.

Copies have been served on all parties on the attached certificate of service. Please place this document of file.

Respectfully yours,

A handwritten signature in blue ink, appearing to read "Michael L. Kurtz", is written over the typed name.

Michael L. Kurtz, Esq.

Kurt J. Boehm, Esq.

Jody Kyler Cohn, Esq.

**BOEHM, KURTZ & LOWRY**

MLKkew

Encl.

Cc: Certificate of Service

**BEFORE THE  
PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Ohio Power Company to : Case No. 18-96-EL-RDR  
Update Its Basic Transmission Cost Rider. :

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**COMMENTS OF  
THE OHIO ENERGY GROUP**

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On January 16, 2018, Ohio Power Company (“AEP Ohio” or “Company”) filed an application in this proceeding seeking to increase its Basic Transmission Cost Rider (“BTCR”) rates by approximately \$174.1 million, or 30.70%, over the twelve-month period beginning with its April 2018 billing cycle.<sup>1</sup> AEP Ohio asserts that its proposal to significantly increase BTCR rates is reasonable, but adds that the Company “*is receptive to exploring alternative recovery options with Staff and the Commission in an effort to promote rate stability and to mitigate rate impacts.*”<sup>2</sup>

One method by which to mitigate the rate impacts of AEP Ohio’s proposal is to require the Company to immediately begin flowing through to retail customers projected transmission cost savings resulting from the Tax Cuts and Jobs Act signed into law on December 22, 2017 (“TCJA”),<sup>3</sup> subject to true-up at a later date.<sup>4</sup> AEP Ohio currently plans to reflect those savings in BTCR rates only after the Federal Energy Regulatory Commission (“FERC”) issues an order establishing new transmission rates.<sup>5</sup> But given the size of AEP Ohio’s proposed BTCR rate increase and its potential impact on retail customers, the Commission should reflect 2018 TCJA savings in 2018. This will help stabilize rates and is revenue-neutral to the Company. AEP Ohio has confirmed that customers will get 100% of transmission-related TCJA savings accruing as of January 1, 2018 even though the timing of when customers will see those savings is still uncertain.

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<sup>1</sup> Application at 4;

<sup>2</sup> Application at 5.

<sup>3</sup> The full title of the law is “*An Act to Provide for Reconciliation Pursuant to Titled II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018.*”

<sup>4</sup> The members of OEG who take service from the AEP Ohio are: AK Steel Corporation, Amsted Rail Company, Inc., ArcelorMittal USA LLC, Arconic, Ford Motor Company, Greif, Inc., GE Aviation, Linde, Inc., POET Biorefining, Praxair Inc., TimkenSteel Corporation and Worthington Industries.

<sup>5</sup> Application at 6.

The Ohio Energy Group (“OEG”) submitted detailed Comments supporting this recommendation in the Commission’s generic TJCA proceeding (Case No. 18-47-AU-COI). In those Comments, OEG explained that the Commission has authorized AEP Ohio to recover transmission costs from retail customers on a projected basis through its BTCR, which is reconciled annually for over and under recoveries, including carrying charges. The projected costs included in AEP Ohio’s retail filings are determined based upon the Company’s wholesale FERC-approved Open Access Transmission Tariff (“OATT”) rate.

AEP Ohio’s OATT rate is calculated using a formula that tracks actual costs, such as depreciation, debt service, and O&M, and which includes line items for taxes and the amortization of excess accumulated deferred income taxes (“ADIT”).<sup>6</sup> That OATT rate is likewise subject to an annual true-up based on the actual costs for the prior twelve-month period. Consequently, once AEP Ohio’s OATT formula rate is trued-up by the FERC, that rate will reflect both the lower tax expense and amortization of excess ADIT resulting from the TCJA for service rendered after January 1, 2018.

The main question with respect to AEP Ohio’s transmission-related TCJA savings is timing. As AEP Ohio explained in the Commission’s generic tax proceeding, *“the impact of the TCJA on transmission costs will flow through the Company’s Basic Transmission Cost Recovery rider and will not be deferred.”*<sup>7</sup> The fact that AEP Ohio has determined that there is no need to defer transmission-related TCJA savings is confirmation that customers will receive 100% of those savings accruing as of January 1, 2018. But *when* those savings will actually flow through to Ohio retail customers is still unknown. Unless FERC requires an interim adjustment to the Company’s OATT formula rate in 2018, the OATT will not reflect the TCJA impacts until 2019, at which time the Company would receive two years of TCJA-related savings (for 2018 and 2019). Hence, without action by this Commission, AEP Ohio’s retail customers may have to wait until 2019 to receive the 2018 TCJA benefits.

Rather than waiting for FERC to issue an interim order or to approve a change to AEP Ohio’s OATT formula rate in 2019, projected transmission cost savings resulting from the TCJA should begin appearing on the Company’s retail customer bills as soon as new BTCR rates are set (*i.e.* beginning with the April 2018 billing cycle). The Commission should direct AEP Ohio to estimate the revenue requirement equivalent of annual TJCA

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<sup>6</sup> Attachment 1.

<sup>7</sup> AEP Ohio Comments, Case No. 18-47-AU-COI at 7.

savings in income tax expense and amortization of excess ADIT and to reduce its proposed April 2018 BTCR rate accordingly. The calculations necessary to reflect a lower federal income tax expense in AEP Ohio's transmission rates should be fairly straightforward. And any uncertainties surrounding the proper calculation of excess ADIT can be remedied through a subsequent BTCR true-up that takes into account any new FERC-approved transmission rate.

This recommendation is revenue-neutral to AEP Ohio and consistent with the Commission's rules on transmission cost recovery, which allow for interim rider adjustments. As Ohio Adm. Code 4901:1-36-03(E) provides:

*If at any time during the period between annual update filings, the electric utility or staff determines that costs are or will be substantially different than the amounts authorized as the result of the electric utility's previous application, the electric utility should file, on its own initiative or by order of the commission, an interim application to adjust the transmission cost recovery rider in order to avoid excessive carrying costs and to minimize rate impacts for the following update filing. (Emphasis added).*

WHEREFORE, the Commission should require AEP Ohio to begin reflecting projected TCJA tax savings in the Company's BTCR rates effective April 2018 in order to stabilize rates and help mitigate the significant increase that would otherwise occur if the Company's proposed rate increase was approved as filed.

Respectfully submitted,



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**COUNSEL FOR THE OHIO ENERGY GROUP**


February 26, 2018

# Attachment 1

AEP East Companies				
Transmission Cost of Service Formula Rate				
Utilizing Actual/Projected FERC Form 1 Data				
COMPANY NAME HERE				
(1)	(2)	(3)	(4)	(5)
EXPENSE, TAXES, RETURN & REVENUE	Data Sources			Total
REQUIREMENTS	TO			
CALCULATION	Total	Allocator	Transmission	
Line				
No	OPERATION & MAINTENANCE EXPENSE			
80	Production 321.80 b			
81	Distribution 322.156 b			
82	Customer Related Expense 322 & 323 164,171,178 b			
83	Regional Marketing Expenses 322.131 b			
84	Transmission 321.112 b			
85	TOTAL O&M EXPENSES (sum lns 80 to 84)			
86	Less: Total Account 561 (Note O) (Worksheet F, ln 14 C)			
87	Less: Account 565 (Note H) 321.96 b			
88	Less: Regulatory Deferrals & Amortizations (Note I) (Worksheet F, ln 4 C)			
89	Total O&M Allocable to Transmission (lns 84 - 86 - 87 - 88)		TP	0.00000
90	General 323.197 b (Note J)			
91	Less: Acct 924, Property Insurance 323.185 b			
92	Acct. 9260039 PBOP Expense PBOP Worksheet O Line 9 & 10, (Note K)			
93	Acct. 9260057 PBOP Medicare Subsidy PBOP Worksheet O Line 11, (Note K)			
94	PBOP Expense Billed From AEPSC PBOP Worksheet O Line 13, (Note K)			
95	Acct. 928, Reg. Com. Exp 323.189 b			
96	Acct. 930.1, Gen. Advert. Exp 323.191 b			
97	Acct. 930.2, Misc. Gen. Exp. 323.192 b			
98	Balance of A & G (ln 90 - sum ln 91 to ln 97)		W/S	0.00000
99	Plus: Acct. 924, Property Insurance (ln 91)		GP(h)	0.00000
100	Acct. 928 - Transmission Specific Worksheet F ln 20 (E) (Note L)		TP	0.00000
101	Acct. 930.1 - Only safety related ads - Direct Worksheet F ln 37 (E) (Note L)		TP	0.00000
102	Acct. 930.2 - Misc Gen. Exp - Trans Worksheet F ln 43 (E) (Note L)		DA	1.00000
103	Settlement Approved PBOP Recovery PBOP Worksheet O, Col C, Line 1, (Note M)		W/S	0.00000
104	A & G Subtotal (sum lns 98 to 103)			
105	O & M EXPENSE SUBTOTAL (ln 89 + ln 104)			
106	Line Deliberately Left Blank			
107	Plus: Transmission Lease Payments To Affiliates in Acct 563 (Company Records) (Note H)		DA	1.00000
108	TOTAL O & M EXPENSE (ln 105 + ln 107)			
109	DEPRECIATION AND AMORTIZATION EXPENSE			
110	Production 336.2-6.f		NA	0.00000
111	Distribution 336.8.f		NA	0.00000
112	Transmission 336.7.f		TP1	0.00000
113	Line Deliberately Left Blank			
114	General 336.10.f		W/S	0.00000
115	Intangible 336.1.f		W/S	0.00000
116	TOTAL DEPRECIATION AND AMORTIZATION (Ln 110+111+112+113+114+115)			
117	TAXES OTHER THAN INCOME (Note N)			
118	Labor Related			
119	Payroll Worksheet H ln 24.(D)		W/S	0.00000
120	Plant Related			
121	Property Worksheet H ln 24.(C) & ln 59 (C)		DA	0
122	Gross Receipts/Sales & Use Worksheet H ln 24.(F)		NA	0.00000
123	Other Worksheet H ln 24.(E)		GP(h)	0.00000
124	TOTAL OTHER TAXES (sum lns 119 to 123)			
125	INCOME TAXES (Note O)			
126	$T=1 - [(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p) =$	0.00		
127	$EIT=(T(1-T)) * (1-(WCLTD/WACC)) =$	0.00		
128	where WCLTD=(ln 167) and WACC = (ln 170)	%		
129	and FIT, SIT & p are as given in Note O			
130	$ORCF=1 / (1 - T) =$ (from ln 126)			
131	Amortized Investment Tax Credit (enter negative) (FF1 p.114, ln 19.c)			
132	Excess Deferred Income Tax (Note U)		DA	1.00000
133	Tax Effect of Permanent Differences (Note U)		DA	1.00000
134	Income Tax Calculation (ln 127 * ln 139)			

## CERTIFICATE OF SERVICE

In accordance with Rule 4901-1-05, Ohio Administrative Code, the PUCO's e-filing system will electronically serve notice of the filing of this document on the parties referenced on the attached service list of the docket card who have electronically subscribed to this case. In addition, the undersigned certifies that a courtesy copy of the foregoing document is also being served (via electronic mail) on the 26<sup>th</sup> day of February, 2018 to the persons listed below.



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Michael L. Kurtz, Esq.  
Kurt J. Boehm, Esq.  
Jody Kyler Cohn, Esq.

Nourse, Steven T Mr.  
American Electric Power Service Corporation  
1 Riverside Plaza, 29th Floor  
Columbus OH 43215

**This foregoing document was electronically filed with the Public Utilities**

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**Case No(s). 18-0096-EL-RDR**

Summary: Comments Ohio Energy Group (OEG) Comments electronically filed by Mr. Michael L. Kurtz on behalf of Ohio Energy Group