

Ohio

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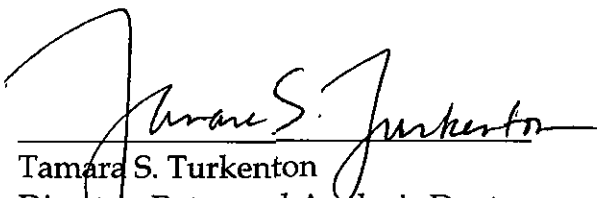
March 12, 2018

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

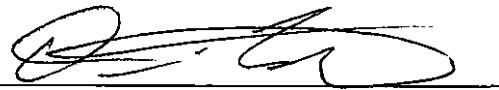
RE: *In the Matter of the Application of Ohio Power Company to Update Its Basic  
Transmission Cost Rider, Case No. 18-96-EL-RDR*

Dear Docketing Division:

Enclosed please find the Staff's review and recommendations in regard to the  
application of Ohio Power Company to update its Basic Transmission Cost Rider, Case  
No. 18-96-EL-RDR.



Tamara S. Turkenton  
Director, Rates and Analysis Dept.  
Public Utilities Commission of Ohio



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

Enclosure

Cc: Parties of Record

This is to certify that the images appearing are an  
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**Ohio Power Company**  
**Case No. 18-96-EL-RDR**

**Summary**

On January 16, 2018, Ohio Power Company (Ohio Power or Company) filed an application to update its Basic Transmission Cost Rider (BTCR). Its most recent filing was July 15, 2017 with rates effective September 2017 in Case No. 17-1461-EL-RDR. Included in the July filing was the Company's request to change the timing of their annual update filings to better reflect the timing of FERC approved transmission rates. The Commission's August 16, 2017, Opinion and Order approved the request and the annual updates are now filed no later than January 15 of each year, with the updated BTCR rates becoming effective on the first billing cycle of April.

Ohio Power's Case No. 16-1852-EL-SSO (ESPIII) is pending at this time. The outcome of the ESPIII case will impact the Company's Rider BTCR rates. Since it is unknown whether the ESPIII case will be resolved prior to the proposed effective date of the updated BTCR rates (first billing cycle of April 2018), the Company has included two sets of schedules in this filing. The first set (Original schedules) includes the proposed rates assuming ESPIII is not considered by the Commission by April 1, 2018. The second set (Supplemental schedules) includes the proposed rates assuming the ESPIII stipulation is approved as filed prior to April 1, 2018.

The Company has stated in its filing that the current schedules do not include a forecast of tax savings that will be recognized due to the recent federal tax reductions. However, they will update their BTCR once the Federal Energy Regulatory Commission (FERC) approves new Open Access Transmission Tariffs (OATT) rates that reflect those tax savings.

On March 8, 2018, the Company filed proposed language for the BTCR tariff that indicates the Rider is subject to reconciliation, including, but not limited to, refunds to customers, based upon the flow through impact to this Rider of changes to the Open Access Transmission Tariff approved by the Federal Energy Regulatory Commission (including changes related to the Tax Cuts and Jobs Act of 2017) or based upon the results of audits ordered by the Commission.

**Staff Review and Recommendations**

Staff reviewed the January 16, 2018 application. In its review, Staff examined the as-filed schedules for consistency with Commission's Opinion and Orders in previous cases and to ensure proper accounting treatment was applied. Staff conducted this audit through a combination of document review, interviews, and interrogatories.

If the Commission has not acted on ESPIII by the time this case is considered by the Commission, the Staff recommends that the Original schedules be adopted, however, if the Stipulation in ESPIII as filed is approved without modification then the Supplemental schedules should be approved.

The Staff has recommended that the company align its forecast period with the timeframe that the BTCR rates are in effect (April 1 through March 31) and that the deferral balance included in the

revenue requirement should include actual and forecasted monthly over/under amounts through March 31. To help mitigate rate impacts, the Company included actuals through December 31, 2017; however, the forecasted over/under recovery for January 1, 2018 through March 31, 2018 was not included.

The Company expects to file an interim update application upon FERC approval of Open Access Transmission Tariff rates that reflect the federal corporate tax savings as a result of the Tax Cuts and Jobs Act of 2017. When the Company files the interim update application, depending on the resulting rate impacts, it should consider including the most up to date actual and forecasted deferral balance in the updated revenue requirement.

### **Conclusion**

The Staff recommends that the schedules filed on January 16, 2018 and further updated on March 8, 2018, be approved subject to the above recommendations. The Staff recommends that the rates become effective on the first billing cycle of April, 2018.