

## THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE APPLICATION OF  
OHIO POWER COMPANY TO UPDATE ITS  
BASIC TRANSMISSION COST RIDER.

CASE NO. 18-96-EL-RDR

### FINDING AND ORDER

Entered in the Journal on March 28, 2018

#### I. SUMMARY

{¶ 1} The Commission approves, subject to Staff's recommendations, the application of Ohio Power Company d/b/a AEP Ohio to update its basic transmission cost rider.

#### 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} In Case No. 13-2385-EL-SSO, et al., the Commission modified and approved an ESP for AEP Ohio, including approval of the Company's proposed basic transmission cost rider (BTCR), for the period of June 1, 2015, through May 31, 2018. *In re Ohio Power Co.*, Case No. 13-2385-EL-SSO, et al. (ESP 3 Case), Opinion and Order (Feb. 25, 2015) at 67-68, Entry (May 28, 2015) at 4-5. The BTCR recovers the non-market-based transmission costs assessed to AEP Ohio by PJM Interconnection, LLC (PJM). Consistent with R.C. 4928.05, the

BTCR is a reconcilable rider by which AEP Ohio passes through to customers the transmission and transmission-related costs charged to the Company by PJM, as authorized by the Federal Energy Regulatory Commission (FERC).

{¶ 5} On January 16, 2018, in the above-captioned case, AEP Ohio filed an application to update the BTCR, pursuant to Ohio Adm.Code Chapter 4901:1-36, and to revise its tariffs, effective with the first day of the April 2018 billing cycle. In the application, AEP Ohio proposes an approximately \$174.1 million increase in the BTCR revenue requirement, which, according to the Company, represents an average increase in the BTCR of approximately 30.70 percent. AEP Ohio notes that the proposed increase reflects an under-recovery, including carrying charges, of approximately \$92.6 million. AEP Ohio also explains that its FERC-approved transmission rate has been updated for 2018 and is reflected in the Company's application.

{¶ 6} Additionally, AEP Ohio states that, in accordance with the global settlement in Case No. 09-872-EL-FAC, et al., the Company's interim BTCR pilot program has been implemented. *In re Columbus Southern Power Co. and Ohio Power Co.*, Case No. 09-872-EL-FAC, et al., Order on Global Settlement Stipulation (Feb. 23, 2017) at 32-35. AEP Ohio notes that the pilot program is subject to change pursuant to the joint stipulation and recommendation (ESP Stipulation) under consideration by the Commission in the Company's pending ESP proceedings, Case No. 16-1852-EL-SSO, et al. AEP Ohio further notes that it has filed supplemental schedules in the present case that reflect the 400 megawatt cap and include for participation those customers for which preliminary notification was provided to the Company by December 1, 2017, consistent with the terms of the ESP Stipulation. AEP Ohio requests that the supplemental schedules be incorporated into the approved BTCR rates, if the Commission elects to adopt the ESP Stipulation prior to April 1, 2018.

{¶ 7} As another matter, AEP Ohio states that its schedules do not include a forecast of the tax savings that will be recognized due to the recent federal tax reductions. AEP Ohio

notes that it will update the BTCR upon FERC's approval of new transmission rates that reflect those tax savings.

{¶ 8} Ohio Adm.Code 4901:1-36-05 provides that, unless otherwise ordered, the Commission shall approve the application or set the matter for hearing within 75 days after the filing of a complete application under Ohio Adm.Code Chapter 4901:1-36. Additionally, pursuant to Ohio Adm.Code 4901:1-36-03(F), affected parties may file a motion to intervene and detailed comments on any issues concerning the application within 40 days of the date of the filing of the application.

{¶ 9} On February 26, 2018, the Ohio Energy Group (OEG) filed comments, in addition to a motion to intervene in this proceeding that was previously filed on January 19, 2018. In its comments, OEG asserts that AEP Ohio should be required to begin reflecting projected tax savings from the Tax Cuts and Jobs Act of 2017 (TCJA) in its BTCR rates effective April 2018, subject to true-up at a later date, in order to stabilize rates and mitigate the rate increase that would otherwise occur. OEG notes that AEP Ohio's application indicates that the Company is willing to explore alternative recovery options in an effort to promote rate stability and to mitigate rate impacts. OEG contends that, rather than waiting for FERC to issue an interim order or to approve a change in AEP Ohio's transmission rate in 2019, projected transmission cost savings resulting from the TCJA should be reflected in the bills of the Company's retail customers immediately. OEG, therefore, proposes that AEP Ohio be directed to estimate the revenue requirement equivalent of annual TCJA savings in income tax expense and amortization of excess accumulated deferred income taxes and to reduce its proposed BTCR rates accordingly.

{¶ 10} On March 8, 2018, AEP Ohio filed revisions to its proposed BTCR tariffs. Following consultation with Staff, AEP Ohio proposes to modify the tariffs to provide that the BTCR "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 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.

{¶ 11} On March 12, 2018, Staff filed its review and recommendations for the Commission’s consideration. Following its review, Staff recommends that AEP Ohio’s original schedules be adopted, if the Commission has not yet issued a decision in the Company’s pending ESP proceedings, Case No. 16-1852-EL-SSO, et al. Additionally, with respect to the rate impact, Staff notes that it has previously recommended that AEP Ohio align its forecast period with the timeframe that the BTCR rates are in effect (April 1 through March 31) and that the deferral balance reflected in the revenue requirement include actual and forecasted monthly over-/under-amounts through March 31. Staff further notes that, in order to mitigate the rate impact, AEP Ohio included actuals through December 31, 2017, but did not include the forecasted over-/under-recovery for January 1, 2018, through March 31, 2018. Staff also points out that AEP Ohio expects to file an interim update application upon FERC’s approval of transmission rates that reflect the federal corporate tax savings resulting from the TCJA. Staff advises that AEP Ohio should consider whether to include, in its interim update application, the most up-to-date actual and forecasted deferral balance in the updated revenue requirement, depending on the resulting rate impact. Subject to its recommendations, Staff concludes that AEP Ohio’s application and revised tariffs should be approved, effective with the first billing cycle of April 2018.

{¶ 12} On March 14, 2018, AEP Ohio filed a response to OEG’s comments. AEP Ohio states that, while the Company opposes any request to implement a credit prior to FERC’s approval of transmission rate changes, the Company is not opposed to adjusting the BTCR shortly after FERC’s approval of new transmission rates and in advance of the next regular update of the BTCR. In support of its position, AEP Ohio asserts that implementing a credit

prior to the time that the new transmission rate is known may increase the current under-recovery and cause additional rate volatility rather than mitigate it.

{¶ 13} The Commission finds that AEP Ohio's application to update the BTCR is consistent with Ohio Adm.Code Chapter 4901:1-36, does not appear to be unjust or unreasonable, and should be approved, subject to Staff's recommendations. We also find that it is unnecessary to hold a hearing in this matter. As recommended by Staff, AEP Ohio's proposed BTCR rates should be approved, subject to audit, and become effective with the first day of the April 2018 billing cycle. The Commission notes that all BTCR costs and recoveries may be subject to further adjustments following the audit in AEP Ohio's next BTCR update proceeding. We also note that, as the ESP Stipulation remains pending before the Commission, AEP Ohio's supplemental schedules and supplemental tariffs should not be considered or approved at this time.

{¶ 14} The Commission finds that AEP Ohio's proposed BTCR tariffs, as amended on March 8, 2018, are reasonable, consistent with the *ESP 3 Case*, and in the public interest. In accordance with Ohio Adm.Code Chapter 4901:1-36, the BTCR is subject to audit for accounting accuracy and prudence, with the rider subject to reconciliation as a result of the audit. AEP Ohio's revised proposed tariffs are consistent with the Commission's rules and prior directives and make clear that the BTCR is subject to reconciliation and adjustment.

{¶ 15} Additionally, the Commission finds that OEG's motion to intervene in this proceeding is reasonable and should be granted. With respect to OEG's comments, AEP Ohio has agreed to update the BTCR upon FERC's approval of new transmission rates that reflect tax savings from the TCJA and to expeditiously do so in advance of the next regular update of the rider. AEP Ohio's revised tariffs explicitly clarify that the BTCR is subject to reconciliation and adjustment, including, but not limited to, refunds to customers, based upon the impact of the TCJA. 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. *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). Interested stakeholders, including OEG, have already filed comments in the *Tax COI Case* for the Commission's consideration. Following our full consideration of the issues identified by the various stakeholders in the *Tax COI Case*, the BTCR will be subject to adjustment and reconciliation as a result of that proceeding, as reflected in AEP Ohio's revised tariffs.

### III. ORDER

{¶ 16} It is, therefore,

{¶ 17} ORDERED, That OEG's motion to intervene in this proceeding be granted. It is, further,

{¶ 18} ORDERED, That AEP Ohio's application be approved, subject to Staff's recommendations. It is, further,

{¶ 19} ORDERED, That AEP Ohio's proposed BTCR tariffs, as filed on March 8, 2018, be approved, excluding the supplemental tariffs. It is, further,

{¶ 20} 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,

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

{¶ 22} 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,

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

THE PUBLIC UTILITIES COMMISSION OF OHIO

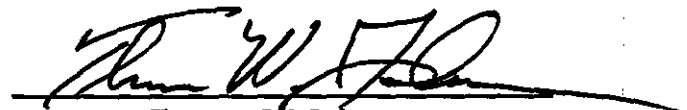
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Asim Z. Haque, Chairman




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M. Beth Trombold



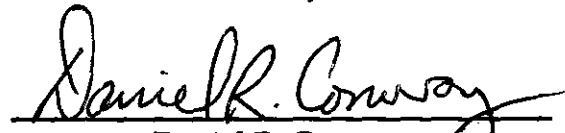
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**MAR 28 2018**



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Barcy F. McNeal  
Secretary